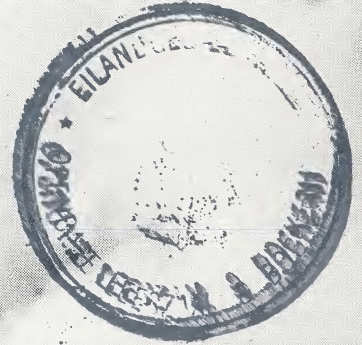


March - April 1984

OFF SHORE PROGRESS
REPORT

ANTILLEN REVIEW



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FROM THE EDITOR

After three years in existence Antillean Review has been given a face lift. Choosing a new design for our front cover may first of all indicate that what started as a hobby of a handful of friends has established itself as a widely read magazine. Consequently we have every intention not only of continuing but much more of improving and widening the scope of AR.

It should also indicate our conviction that reporting on developments in the Netherlands Antilles is a more than worthwhile activity. In particular at this junction of its history.

The soon to be realized status aparte of Aruba and all the consequences of that development is probably what springs to mind reading that last remark. That is not, however, what is meant. Much more fascinating in Antillean society are the undercurrents pointing to a revival of the spirit of entrepreneurship, that has been its secret of survival and prosperity during four centuries.

Caught up in a most needed process of emancipation and mental liberation, not much room nor energy was left for that spirit to manifest itself forcefully during the past ten years.

But a new era seems to be dawning upon the Antilles. Notwithstanding the worrisome financial situation of the country, the slowing down of the economy and the resulting inevitability of having to live with less, most promising new initiatives are being developed. It is that awakening mood of creativity that makes reporting on the Antilles exciting even when ever so often there is also negative news to be told.

Embarking on this fourth volume we — the team that contributes to AR — wish to express our appreciation for the many encouraging and critical reactions we received from you, our readers. We sincerely hope you will continue to enable us by your support to do a good job.

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LIMPING AND JUMPING

A MIXED BAG OF HOPE AND CONCERN

The editors of the concise OXFORD DICTIONARY most certainly never visited the Netherlands Antilles. Carnival is defined as *festivities during the half-week or week before Lent*. How little they know of what goes on in the world—or at least in the Antilles. The jumping spirit awoke the morning after the New Year celebrations were over and continues to manifest itself night after night. The naive might, with a Magareth Mead kind of insight, believe to have found at last a really joyous and carefree people. The humorless marxist will, no doubt, draw the I-told-you-so conclusion of capitalist inspired mass delusion. And those dabbling in psychology will utter that never failing to impress profundity *escapism*. The truth as always is very simple and down to earth: Antilleans like to jump even if their country limps along.

to bypass the free negotiations between employer and employed. A referendum was held among the union members, the result of which foreclosed the need for such a drastic and generally unwelcome step. The majority of SHELL's labour force declared itself in favour of continuing the negotiations in order to find a reasonable solution. It should be observed that pressure by other unions to

Limping, some observers say for better. They take heart—and in fact everyone should—from the remarkable armistice at the labour front. Common sense prevailed both at SHELL and in the Civil Services. Said Prime-Minister Don Martina discussing recent developments in the country with AR's editor: "Reason has prevailed in particular because the people saw with their own eyes the impact of the recession, when many tourists stayed home and ships stopped coming to our drydock". He may have a point. Fact is that the tense situation with regard to the need for a wage-freeze, if not cut-back, has eased up considerably during the past two months. That is to say, people in general are accepting the inevitability of this unpleasant development.

Although officially no agreement has at yet been reached between SHELL's management and the refinery's union, matters seem in principle settled. A minority in the union leadership held out as long as possible opposing the demands of SHELL for a cut in labour costs. General Manager Wilson, however, let it be understood that SHELL had no other choices than to economize or close down within a couple of years. When the negotiations were stalled once more, the Federal Government threatened to introduce legislation, which would authorize it



settle rather than strike, contributed much to the easing up of tensions. It should also be noted that SHELL by involving the Government took a wise course. The survival of the refinery is of paramount importance to the island's economy.

The Federal Government in the meantime was facing grave financial problems itself. Ten years of expensive social legislation, of overstaffing its services, and reduced revenues caused by the recession, forced it to announce economizing measures. Adjustment of civil servants' salaries to the cost of living index, which should have been effectuated in July of last year, was now postponed indefinitely. It was further announced that the vacation bonuses in 1984 would be cut by approximately 41%. The union of civil servants (ABVO) protested strongly and demanded a meeting with the Prime-Minister. This was granted. On the day parties were to meet, the union, however, organized an unofficial action by holding a meeting during working hours. The Prime-Minister immediately called off the agreed to negotiation meeting, correctly stating that he was not going to sit down with the union under such undue pressure.

The week following a relatively small group of the civil service caused some inconvenience to the public and tourists, as several departments could not function normally. Also the police — again a minority — joined in holding some minor action. Neither the public nor the other unions — and certainly not the powerful teacher's union — gave any support. After a week the ABVO leaders gave up trying to save face by announcing that they would take their grievances to court. They did and lost. Also in this case it should be noted that the unions and most of the government workers showed sensible willingness to accept the inevitable. This it is felt holds a fair promise for the future.

On the other hand many are of the opinion that the country limps along for worse. The financial problems are by no means solved by the minor cuts suggested by the government. What in fact should happen is a drastic slimming of its services, which are irresponsibly over-staffed and as a result often lack proper motivation. In nor-

mal times already an almost insolvable problem, the pending departure of Aruba from the present constitutional structure makes it even worse. A transfer of any substantial number of civil servants from Curacao to Aruba is highly improbable. The coming status aparte of Aruba, moreover, will cause a number of additional problems which will have serious financial consequences in particular for Curacao. Just recently an extremely critical report on this matter was published listing the many constitutional and financial problems which will result from the departure of Aruba. The burden for Curacao might be too heavy and it has already been proposed to hold a consultative referendum among that island's population before the year is over to determine whether the people are prepared to support an Antilles of the Five.

In the background looms the very real threat of losing considerable income as a result of the renegotiation of the tax treaty with the USA (see Finance). In any case it is already certain that the Government will receive much less in the coming years than it is used to by now. No alternative source of income being available, it is obvious that the country's financial problems will increase rather than decrease.

This picture would, however, be incomplete if no mention was made of at least two hopeful developments. The Martina Cabinet has been coming more in its stride. The Prime-Minister has once again shown to have a great ability to handle crises. And even more important Mr. Martina has not shyed away from taking unpopular measures. His performance has generally been praised and he should use the opportunity to rid himself and his party of the still considerably influential clique of salon socialists. What the country needs is strong, decisive and above all pragmatic government allowing free enterprise to rebuild the economy. Such a course would stimulate the upsurge of initiatives presently to be observed in the country. Several articles in this issue of AR will inform the reader of that hopeful phenomenon. There is fortunately more to the Netherlands Antilles than limping and jumping. ■



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ARUBA'S TOURISM FROM USA STILL GROWING

by Henk Timmer

"Aruba is magic for us, as close to paradise as we can imagine you can get. Those beaches, the guaranteed sunshine, the temperature always in the eighties, the fine hotels and gourmet dining and those wonderful people. We'll come back as often as we can."

These are the words of an American couple, farmers from Illinois, in Aruba for the seventh consecutive year. After the Christmas and New holidays they leave the farm (2500 acres with corn and soybeans) in the trusted hands of their three sons, travel to Miami in their mobile home and from there by ALM to Aruba. The first years they stayed at hotels, then bought a time-share in the Aruba Beach Club and now own a suite in the Playa Linda time-share project. It is one of the highlights of the year and a welcome break in the severe winters of the Mid Western U.S. States. These faithful repeat tourists are the backbone of Aruba's strong showing in its tourist industry.

More US visitors

Although the total number of tourists visiting Aruba did not increase last year, the number of Americans was still growing. A record 131,615 US citizens came to Aruba in 1983, 15.1% more than the year before. The number has been on the rise ever since the first large resort hotel, the Aruba Caribbean Hotel, opened its doors in 1959. The first full year of operation of that hotel was 1960, when 4073 Americans came to Aruba. Ten years later the island was firmly established as a destination for US tourists looking for some sun, sea and gambling, with 54,313 Americans visiting Aruba. In 1978 the magic number of 100,000 was reached and since then the growth has continued and reached 131,615 for 1983.

Slight decline

Notwithstanding the good growth of tourism from the US, the total number of



tourists visiting Aruba has declined somewhat in recent years. The alltime high of 221,325 tourists, was reached in 1981. The year 1982 was only slightly lower with 220,209 tourists, but last year the bolivar devaluation caused a 61.7% drop in tourists from Venezuela and although the growth of other markets, including the USA filled part of the gap, an overall drop of 11.4% had to be recorded for 1983. Based on advance bookings for 1984 the record of 1981 will certainly be broken by the expected growth this year.

The strong showing for 1984 is based on several factors. The most important factor is of course that renewed confidence in the economic developments in the US induces more people to go on vacation abroad and Aruba's name is strongly established, meaning that many people will be making the trip they have postponed for some time and come to Aruba this year.

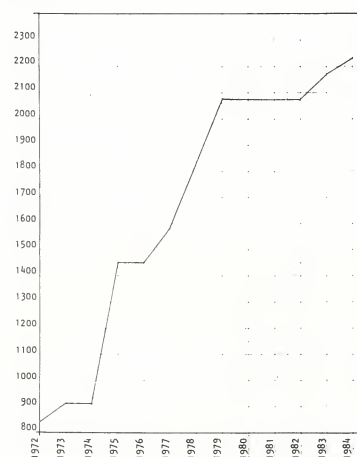
Markets

Another factor is that Aruba has opened new markets in the US. The Houston flights by ALM, initiated in 1983 show

very promising results. Eastern is promoting its feeder possibilities with planes connecting many cities to Miami, from where they fly to Aruba daily. The New York connection has an increased capacity, since Panam flies alongside American with non-stop New York - Aruba flights.

Last year a good 54% of our American tourists were still coming from the New

Table 1



De luxe and first class hotelrooms of Aruba 1972 - 1983.

ARUBA

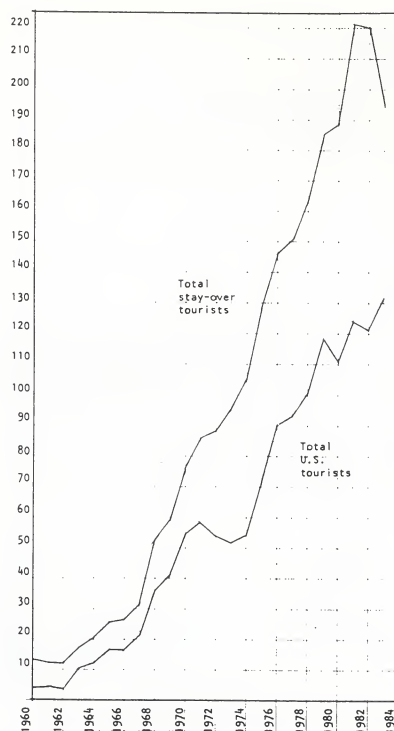
York area, traditionally the major market for Aruba's tourist industry, but the North Central States (No. So. Dakota, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska and Ohio) were already good for 12%. The New England States took care of 10% of the total visitors from the US, Florida 6%, Texas 5% and California and the Far West 4%. Of the Americans coming to Aruba, 26% are 20 - 29 years old, 17% is 30 - 39, 19% is 40 - 49 and 31% is over 50 years of age.

The Americans stay an average of 7 days. They travel by air of course and the largest percentage (35.3%) comes with a charter. American Airlines brings in 30.3% with their scheduled flights, Eastern had 16.7% and ALM 16.6% of the Americans visiting Aruba in 1983.

Europe connection

Tourism from Europe will get a new push this year because of an extremely attractive package introduced by KLM, 7

Table 2



Total stay-over tourists and U.S. stay-over tourists visiting Aruba (x 1000).

Dutch wholesalers and all the hotels of Aruba. For only Dutch Florins 1984. -- (US\$ 650.--) the Dutch can get a round trip on a scheduled KLM non-stop flight to Aruba including 7 days hotel.

The trip can be extended to several weeks and can be arranged to include breakfast or meals at additional cost.

This is a major breakthrough and a good opportunity to develop tourism from Europe to Aruba. Until recently KLM was always hesitant to lower the price for the flight part of the package, but now has agreed to cooperate. The hotels also have agreed to reduced rates for this total and concerted effort to bring more tourists from Holland to Aruba.

The great name of KLM and our reputation as a first class resort island will certainly create the results Aruba is looking for. Combined with the outlook for tourism from the USA this can be the banner year for tourism to Aruba we all are hoping for. ■

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THE ECONOMIC PICTURE

IN BRIEF

Early January a Dutch parliamentary delegation visited the Netherlands Antilles as part of a regular programme of exchange visits between the parliaments of both countries. Upon arriving in Aruba the Dutchmen were presented with a paper drawn up by the Aruban Department of Development (DECO) informing them in brief about the island's economic and financial situation. In general the paper indicates that the income of the Island government from oil refining will continue to decline, making trimming of the government services and a tight budget-control more than ever a must. It also states that Federal Government measures with regard to the economy of the entire country are not to the advantage of Aruba.

The outlook for tourism is promising. The commercial sector, however, will continue to feel the negative impact of losing the Venezuelan tourism market due to the devaluation of the bolivar. The overall increase of overnight visits on the other hand has a stimulating effect on the construction sector so that the employment situation looks healthy.

Employment

According to the findings of a 1981 census the national unemployment figure went up from 14.6% in 1972 to 16.1% in 1981. This increase, however, is entirely caused by developments in Curaçao where the percentage stood at 20.3 in 1981 up from 13.8 in 1972!

The paper states that in the same period the unemployment figure decreased on the other five islands in particular on Aruba. This in spite of the fact that Aruba's labour force increased with no less than 32.5%. A development which was mainly caused by the relatively rapid growth of the 15-64 age group. Yet the unemployment figure declined from 17.3% in 1972 to 9.4% in 1981 (see tables 1 and 2).

Balance of payments

In a brief paragraph the paper warns that although the national balance of payments showed a positive result of Naf. 91

million in 1982 (down from 96 million in 1981) due to a sharp increase in (profit) tax revenues from LAGO, foreign investments in SHELL and the growth of the Off-Shore business, the overall picture is worrisome. The high increase of the deficit on the stock account and the diminishing contribution from transport and tourism as well as the expected decline of income from the oil refining and transshipment sector combined with the uncertainty about the tax treaty negotiations with the USA, are mentioned as the reasons for this cautioning.

Credit

In 1980 the national figure of total credit advances was modest. In 1981 the figure almost doubled, but only to fall back considerably again the next year, indicating a decline of economic activity in the country.

The paper observes that the afterall growth in 1982 is almost entirely due to an increase in mortgages for the private and consumer sector. In the period September 1982-1983 credit advance to the private sector went up with 11%.

Also Aruba witnessed a stagnation of trade credits (see table 3). In November 1982 the growth rate stood at zero compared with 6.0% in 1981. The slight growth of the total figure in that period (0.9%) on Aruba must also here be attributed to an increase in mortgages. By the end of October 1983 the total amount of advanced credits stood at Naf. 285 million. An increase of 29% within one year, again mainly caused by an increase of loans to the private sector.

Pending Government measures to improve the existing situation the Central Bank introduced a ceiling to credit advance to the consumptive sector on October 31, 1983.

Public finance

The DECO report first describes the far from positive development on the national level. Federal expenditure in the period

1980-1982 went up 40%, whereas the government's income only increased with 26%. The resulting deficit in 1982 amounted to Naf. 70 million. For 1983 the figure is expected to be around Naf. 50 million. The resulting precarious situation, according to DECO, is caused by at least two factors. The collection of taxes is far behind schedule, thus causing the Federal Government to loan considerable amounts in order to comply with its obligations. The interest figure rose from 4,7 million in 1980 to 23,5 in 1983. During that same period the required financial assistance of the smaller islands almost doubled, while the body of federal civil servants grew 10% in spite of a declared employment-stop. A re-evaluation of functions with regard to the police, customs and prison personnel added another 10 million to the Federal Government's salary bill.

Against this background the paper next informs the reader about the Aruban situation. Table no. 4 shows the budgetary estimates for the period 1979-1984. In the period '81-'83, however, the income from LAGO increased in such a manner that substantial surplusses could be realized in those years (see table 5).

But expenditure budgeting immediately adapted itself to the increase of income. Expectations for the current year at LAGO are significantly less optimistic than during the past three years. Measures to push back the deficit as foreseen in the 1984 budget therefore must, says DECO, urgently be taken. Possibilities to increase the government's income from other sources are limited. Such measures therefore will have to consist of trimming the government's expenditure. DECO observes that 40% of the government's spendings go to the cost of personnel. In the period '79-'82 these went up by no less than 47%.

Oil

The report gives special attention to the two foremost income-earning activities on the island.

The golden days of oil refining seem to be over, at least for the time being. In 1983

ARUBA

LAGO paid Naf. 129,3 million in profit taxes but estimates for the current year foresee a decline by 80 million to approximately 50 million in government revenues.

Since March '83 the supply of crude from Venezuela diminished from 300,000 barrels a day to 210,000 in accordance with OPEC agreements. The existing agreement with Venezuela terminated on December 31, 1983. Market changes have strengthened Venezuela's bargaining position with EXXON (LAGO). The special price agreement for crudes of 1978 has not been prolonged and LAGO will be down to a 180,000 barrels supply from the nearby mainland per day.

Consequently LAGO was forced to slim down its operation. Three hundred employees were sent home, be it on very reasonable terms. The effect, however, on the construction sector will probably cause a further unemployment of 200 men.

The other main source of Aruba's income, tourism, fortunately seems to be in good shape. DECO expects 1984 to be one of the best years Aruba has witnessed (see preceding article).

Conclusion

DECO once more observes that the possibilities of incomes growth for the island are very limited. The Department therefore advises the government both with a view to the high salary bill of the civil services and the coming transition of public servants from the Federal to the Aruban services in connection with the status aparte, to enforce an immediate employment stop. The government should also enforce a much tighter budget control and put an end to adapting salaries automatically to the cost of living index.

DECO also notes that the Federal Government's protection measures, though possibly helpful to Curaçao, do not serve the interests of Aruba. With regard to the oil refining industry (and tourism) it urges negotiations on government level with Venezuela at short notice.

In closing it recommends the Aruban government to plan the development of Aruba's westcoast, thereby promoting the construction of new hotels, which in turn will create employment. ■

Tabel 1. Aruba - Population - labour force - volume of employment.

	CENSUS 1972	CENSUS 1981
Population, total	57985	60312
Population, 15-64 years	34280	40704
Labour force	19644	26031
Degree of participation (%)	55.8	62.3
Volume of employment	16246	23577
Unemployment (%)	17.3	9.4

Source: Central Bureau of Statistics

Tabel 2. Data on job market for Aruba, derived from the census of 1-2-1981 (with comparable numbers for 1972)

	1972	1981
Unemployment (%)		
Men	16	8.3
15-24 years	29.9	18.5
Women	20.1	11.5
15-24 years	26.5	18.3
Men & women	17.3	9.4
15-24 years	28.5	18.4
Degree of participation (%)		
Men	78.5	81.1
Women	34.4	44.7
Men & Women	55.8	62.3

Source: Central Bureau of Statistics.

Tabel 3 Internal credit granted general banks on Aruba (Naf. mln.). Per end of November 1983.

	1979	1980	1981	1982
Loans to enterprises	140.7	150.5	173.7	181.8
Loans to private persons	22.6	19.4	28.9	27.9
Mortgage loans	8.7	13.4	17.7	23.8
Total private sector	172.0	183.3	220.3	233.5
Loans to governments	1.2	—	—	—
Total credit granted	173.2	183.3	220.3	233.5

Tabel 4 Budgetary expenditures and revenues of Aruba.

	1979	1980	1981	1982	1983	1984
Expenditures	157,0	150,0	165,9	225,0	267,7	271,0
Revenues	120,0	131,5	156,4	221,5	255,0	251,0
Balance, budgeted	-37,0	-18,5	- 9,5	- 3,5	-12,7	-20,0

Tabel 5 Profit tax paid by LAGO for 1979-1983 (x Naf. mln.)

	1979	1980	1981	1982	1983
Total amount	34,5	34,6	109,4	156,4	129,3



A WHITE ELEPHANT AMONG THE FLAMINGO'S

by Hubert Linkels

'El proyecto para el desarrollo y progreso de Bonaire'. Even the non-Spanish speaking recognize the progress for Bonaire message of the Flamingo Paradise catch phrase. But whatever language one does or doesn't speak there is now no mistaking that the opposite is true. Instead of promoting the development of the Flamingo island, the once grandiose looking project of 699 planned bungalows in a kind of Venetian setting of canals, has brought havoc to Bonaire's environment and left many, including the government, holding a host of unpaid bills.

Late 1983 the Flamingo Paradise enterprise was adjudged bankrupt. Creditor and shareholder Valle Ariba de Charalaves, a daughter company of the Banco de los Trabajadores de Venezuela, faces a loss of US\$ 17 million. Local creditors on Bonaire forfeited US\$ 1.2 million. The 14 year rule of the political party UPB was ended mainly because of the disastrous development.

Skeletons

Arriving at Bonaire's airport the visi-

tor's first impression of the island is now that of a desolate area, in which three forlorn concrete skeletons testify to a story of incompetence, fraud and disrespect for Bonaire's natural beauty. In his case the proverbial friendliness of the Bonaireans and overall beauty of the island will soon take care of that. But the damage to the island and many of its inhabitants will not so easily be undone.

The Flamingo Paradise for that matter was not Bonaire's first experience with the white elephant phenomenon. In 1968 construction of a hotel at Lac Bay was stopped at an early stage. The government, which had granted the Lac Bay Development Corp. N.V. a long lease on 100 hectares of land, was left with a huge unfinished skeleton of concrete, the investors having taken French leave. Demolishing part of the environment spoiling ruins cost the island Naf. 80,000.—

"Never should this happen again" declared Mr. Rudy Ellis, leader of the UPB and presently Minister of Transport and Communications in the Federal Government. Twelve years later it did happen again. But this time not only skeletons and unpaid bills were left behind, but also a useless infrastructure, which had cost

Naf. 15 million, consisting of a new road to the airport circumventing the project and a web of canals connected to the open sea, which caused the hinterland to go brackish. To restore the damage will run into millions. All the government had demanded by way of guarantee was Naf. 100,000.—on a blocked account at one of the local banks!

Lares group

It all started in 1976 when a Venezuelan group presided by Mr. Carlos Lares interested the island council in a project it was developing in Puerto La Cruz (Ven.). Called El Moro it was designed by Daniel Camejo, well-known for a number of successful projects like Bahia del Mar, the Lagun Beach Club and Club Puerto Azul, all in Venezuela.

The reason why the Lares group became interested in Bonaire has never become clear. Nor why they insisted on creating a number of artificial islands on which the planned 699 bungalows, shopping-centre, casino and theater were to be constructed. The Venezuelan / Italian firm Fundeos C.A. charged Naf. 3 million for the digging of the canals, whereas

according to insiders a much more suitable location demanding a much less strenuous effort was available near the Yacht harbour. Nevertheless the Venezuelans insisted on their chosen location near the airport and were subsequently granted a long lease.

In that same year, 1976, the first phase of the project was started. Project manager Plas Medina declared that before 1979 the first 120 apartments (250 rooms) and a number of facilities like a shopping-centre would be completed.

Opposition

The first three years, however, saw little construction activity. What did take place were numerous cocktail parties, orientation trips for Bonaire's political leaders to the Venezuelan project and the laying of the foundation stone for a 60 meter high statue of Christ.

The local press and opposition party kept asking for full information about the state of affairs and the intentions of the Venezuelans. The project management wrapped itself in silence. At long last Mr. Rudy Ellis, leader of the then majority party UPB, decided to travel to Caracas with two of his commissioners, to discuss the matter at the highest possible level. The project, after all, was being financed by the government-owned Banco de los Trabajadores de Venezuela. Mr. Ellis was received by President Herrera Campins and it may fairly be assumed that he did whatever he could to save the project.

Meanwhile in Bonaire all confidence had evaporated. The locally employed labourers decided to organize themselves in a trade union. This led to the dismissal of three of them. The opposition leader Mr. Jopi Abraham accused Mr. Ellis of having accepted hush-money. Mr. Ellis, who is married to Mr. Abraham's sister, reacted furiously and threatened to take him to court. He never did, but Flamingo Paradise became the foremost political issue on the island.

The Brutus role in this unsavory story was played by a young economist. Attracted by the island government as an advisor he had access to the several reports which in the course of time had been written about Bonaire's tourism potentials. One of those reports was drawn up by the Caribbean Tourism and Research Development Centre and had already been available when the Island Government started negotiations with the Venezuelans.



The CTRC was highly critical of the Flamingo Paradise project and advised strongly against it.

The economist, Mr. Deis Schermer, who had established his own political party in opposition to the UPB of Mr. Ellis, had no scruples about publicizing the information he had acquired in his function as advisor to the island government.

Elections

Financial and political considerations in Venezuela, which was preparing itself for the 1983 presidential election, caused the closure of the Banco de los Trabajadores de Venezuela in March '83. This consequently meant the end of all hope with regard to the Flamingo Paradise project.

The island council elections only one month away, the opposition used every opportunity to ascribe the costs of the failure in terms both of money and unemployment to the incumbent government of Mr. Ellis. As a result the UPB was not returned to power. Winner Jopi Abraham immediately demanded clarity from Flamingo Paradise's management, which was still holding out.

Last round

To give them an opportunity to prove that the project was still viable, as they

were contending, Mr. Abraham offered them a choice between paying 20% of the outstanding debts immediately, 40% after one year and the remaining 40% as the project developed, and paying 30% in cash now and 70% in shares.

The local creditors, however, were not prepared to wait any longer and took their case to court. The management of Flamingo Paradise asked the judge for suspension of payments. Its lawyer argued that there were enough guarantees to keep faith in the project. He showed the court a cheque covering 30% of the amount the company owed Bonairean creditors, including the government. He did, however, demand the assurance that the land lease would not be terminated. Mr. Abraham, however, was not willing to grant such an assurance. Tired of all the unfulfilled promises, he did exactly that: he terminated the leasehold, thereby making bankruptcy inevitable.

Last January the company's trustees had to inform the creditors that all they could expect to get back of the money owed to them would have to come from the sale of a few old lorries, four typewriters and a site hut.

Early February Jaime Lusinchi upon his installment as the new president of Venezuela declared that his country will pay back all its foreign debts. But those words, alas, because of the bankruptcy, do not apply to Bonaire. ■

INTERNATIONAL TRADE CENTER CURAÇAO TO OPEN DOORS IN 1986

leaving the building.

Facilities

Located near the Concorde and Las Palmas hotels, the ITC will be designed according to international standards. The exhibition hall at the center of the building will have a total surface of 2000 sq.m. (21,500 sq.ft.). Exhibitors will have access to updated marketing data, mailing lists, translator services, and temporary office facilities with secretarial assistance. Each booth will be equipped with connections for telecommunications as well as for power and water supply. A 300 seat auditorium and four conference rooms equipped with a closed circuit television system, simultaneous translation services etc. will serve convention and conference purposes. With these facilities, the ITC intends to develop an educational function. The interviews conducted in Latin America have revealed a high demand for learning possibilities in the field of international management and other related subjects. The World Trade Institute has been approached to assist in the organization of seminars, courses and conferences.

Extra's

The ITC will not only offer a wide range of facilities, but will also include a complete set of services which will make it 'a little town in town'. The availability within the premises of shipping and transport companies, insurance brokers and international banks, foreign trade delegations and representatives of the local authorities will enable efficient business transactions. In order to make life easier, the ITC will also have a travel agency, a post office, a telephone and telex office, a shopping arcade with restaurants, bars and cafeteria. Foreign visitors will find excellent accommodations in the earlier

mentioned nearby hotels.

Construction of the ITC premises is expected to start soon. In the meantime ITC's dynamic initiators and management are stepping up their promotional activities in order to place Curacao once more on the map as a highly useful center for international trade. ■

History and geography make the idea look as obvious as can be. The fast growing but yet fragmented markets of the Caribbean and South America render it not only feasible but an opportunity to be grasped. The obvious, however, had to be recognized. Well, it was, when a group of private businessmen and the Curacao government decided to establish an international trade center (ITC) in Curacao. Offering a complete range of marketing support services, such as permanent and temporary exhibition facilities, convention center, high class offices, trade information center, communication and virtually all other required services, the International Trade Center Curacao is expected to be fully operational within two years.

Curacao's 400 year old reputation as a trade center is well known. To many in the world the island's name today also denotes high quality of international service rendering. The huge SHELL refinery, the largest drydock in the Western Hemisphere and the rapid growth into a foremost international financial center, to name only three aspects, all point to a well developed and internationally oriented infrastructure unique in the region. Further diversification of its service rendering,

therefore, is a dictate of common sense. Another such dictate expresses itself in the term 'feasibility study'. This task was entrusted to SORCA-BMB consultants (Brussels), who conducted over 200 interviews with federations of manufacturers, trade show and convention organizers, and international associations in the field of exhibitions and associations.

These interviews and an extensive desk research have shown that there is a potential market for a Trade Center in Curacao, which would aim at assisting manufacturers and traders in their activities in Latin America and the Caribbean.

Fair

The projected trade center will be a permanent fair at the disposal of manufacturers, traders and professional buyers of goods such as clothing, footwear, audio-visual and photographic equipment, watches and jewelry, electronics and medical equipment. Manufacturers will be enabled to display their products in beautifully designed showrooms throughout the year in order to sell them and adapt them to the requirements of Latin American and Caribbean buyers.

Customers on the other hand will have the opportunity to get acquainted with what the international market has to offer at any given time. They will be able to look, choose, compare prices, place orders, arrange payments and shipments without



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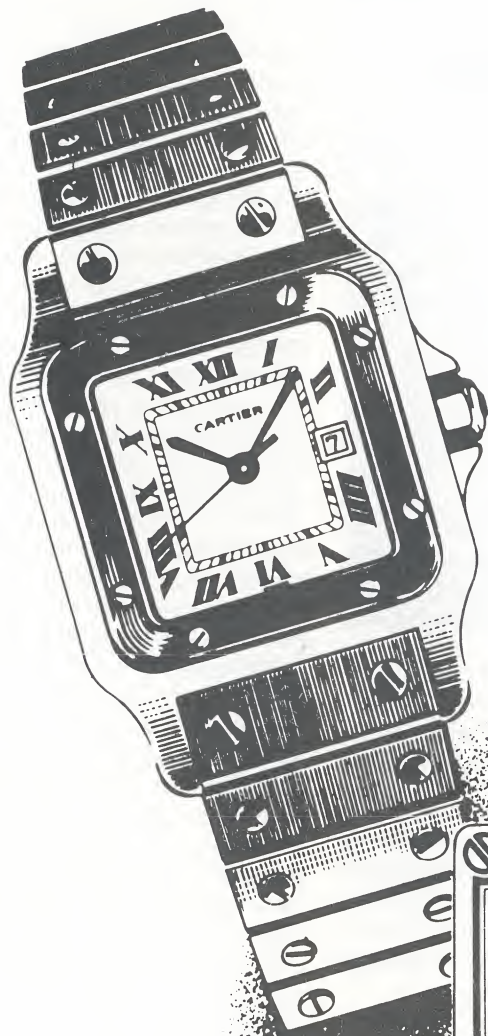
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ARUBA - CURAÇAO

A CALL FOR A COMMITMENT TO EXCELLENCE

THE COUNTRY MAY BE READY FOR IT

It sounded like a State of the Union Address. In a sense it was. When Mr. Ron Gomes Casseres, assistant managing director of Maduro & Curiel's Bank, delivered the traditional year-end speech at a luncheon meeting of the Curaçao Association of Trade and Industry, he showed great oratory skill, looked beyond the immediate interests of his audience and articulated a vision the nation would do wise to take to heart. Only in his historical evaluation of the past 15 years Mr. Gomes Casseres missed an important point.

That period he correctly pointed out has been characterized by domestic economic decline and a deterioration of moral and social values. But it has also witnessed an acceleration of the emancipation of a large group of the population, enabling it to partake more fully in society. For that same reason his call for a commitment to excellency may have been voiced at the right moment in time.

Mr. Gomes Casseres set out to suggest his audience that 'we are in trouble not only because of the world recession, not primarily because of the fall-out in world shipping, not mainly because of airline deregulation, not because of the abundance of Caribbean refining capacity, not mostly because of the Bolivar crisis, but principally because of a decade and a half of domestic economic decline and a deterioration of moral and social values.

Figures

He backed up his introductory statement by pointing out that unemployment has gone up from 14% in 1972 to 20% in 1981, that the low-income group increased from 22.3% to 23.5% in the same period, while high-income earners now constitute 8.3% up from 6.2% in 1972, indicating a widening gap between the two groups. Dependence on aid from The Netherlands and the EEC grew rather than declined, according to Mr. Casseres, who continued to observe that only 15 years ago Curaçao could boast to be crime-free. Today petty theft and even armed robberies are regularly reported in the newspapers. Respect for authority and even for judicial integrity is on a downward slide, Mr. Gomes Casseres said.

Although the figures quoted are undeniably true, the evolving picture must be seen in the right perspective. Mr. Gomes Casseres is perfectly right when he concludes that the Antilles and in particular Curaçao is a less agreeable place to live than 15 years ago. But in comparison to



many other nations in the world, amongst which Holland, it is still a very pleasant country.

Key question

Within the context of Antillean history he asked the question: "What has happened in the past fifteen years to change so extensively not only the facts, but also our expectations?" One answer, according to Mr. Gomes Casseres is that "our economy has been drifting along without a real sense of direction". It has been "growing, blossoming, and withering around us in the past ten to fifteen years in spite of us rather than because of us. In fact, the off-shore bonanza.... has been of such a huge magnitude that it has successfully covered up our failure to truly build up a sound basis for our economy",

he said.

"That", he reminded his audience, "has not always been so. The economic development during the fifteen years preceding 1968 was of quite a different nature. The legislation establishing our Free Zones was passed in 1956, the tax-holiday incentives structure for industries and hotels dates from 1953, the treaty and legislative basis for our off-shore industry goes back to the mid fifties and was successfully renegotiated in 1963 and 1964, the decision to build, or rather dig, the Antillean Drydock was taken in the late sixties, and ALM (the national carrier) was incorporated in 1964. But that was not all. While I would dispute that a proper social balance was being maintained, nevertheless annual obligatory vacation was legislated in 1949, basic labour legislation in 1952, pension provisions in 1955 and 1960, general health insurance in 1960, and the law on Collective Labour Agreements in 1958".

Lack of direction

But in spite of this legislation Mr. Gomes Casseres admitted that "wages, social care, housing, and community development had inexcusably been left behind". The labour riots of May 1969 rudely awakened the community to that reality. The pendulum, he stated, was shortly to swing to the other extreme. In the next fifteen years impressive but very costly social legislation was passed, guaranteeing the population more than basic social security. But in that same period, with the exception of some minor measures, said Mr. Gomes Casseres "not one, I repeat, not one piece of major economic development legislation was passed...." and he continued: "If the period prior to the seventies was characterized by insufficient attention to social progress and development to accompany the economic growth that was taking place, the decade of the seventies and the present decade have been characterized, not so much by the obvious and huge imbalance



between excessive social and labour legislation on the one side, and insufficient and inadequate economic legislation on the other side, but much more so by a lack of direction to our economic development".

The obvious task at hand, according to Mr. Gomes Casseres, is to develop a national strategy "that not only encompasses economic growth, but also social progress; that achieves a proper balance between productivity and welfare goals; that is not a detailed, centrally directed economic plan but a framework within which our private enterprise system can provide the fuel and the wealth to achieve the goals of social and cultural development". For such a strategy, Mr. Gomes Casseres proceeded to submit some thought provoking proposals which he called "three key elements".

Flexibility

A new business-government partnership Mr. Gomes Casseres said, in which the government makes use of the strengths of the private sector, is the first ingredient for that desired national strategy. He recalled that proposals of that nature had been put forward in the recent past on several occasions. The preliminary question what it is that makes businessmen feel that they might actually contribute positively to the solution of the nation's problems, however, remains too often unanswered and even unasked, he claimed. He on his part suggested to his audience that "perhaps the greatest of the distinguishing attributes of the business enterprise is its ability to adapt quickly to change". Quoting Professor Tibor Scitovsky of the University of California, who in a 1980 lecture called flexibility one of the most redeeming merits of capitalism, he went on by explaining the two-

fold character of that flexibility: "the first of these is the flexibility of the economy's individual members to change expenditure patterns, methods of production, and products and services provided; the second type is the ability of the system as a whole to adjust its reliance on individual members of the economy i.e. increasing its reliance on those best adapted or able to adapt to changed circumstances, and jettisoning those unadapted and unable to adapt".

At this moment Mr. Gomes Casseres raised a warning finger in the direction of the government. This flexibility is lost, he said, "when government bails out companies on the verge of failure and thereby reduces the entrepreneur's risk. When government, through price and protection mechanisms, suppresses market forces and puts nothing in their place, and when government prevents or delays adaptation to the international market". Mr. Gomes Casseres did not shrink back from mentioning concrete examples: "we have seen in the past two years how not permitting the Curaçao Drydock Company and the ALM to swiftly adapt to a changing economic and business climate has taken both companies much closer to failure, at a much greater cost to our society, than if they had been permitted to adapt".

Likewise he mentioned the Termination law requiring government approval in case of dismissal, union and political pressure as possible obstacles to that basic trait of flexibility that makes capitalism work. He was careful to admit that the task of government in a capitalist society is to ensure 'distributive justice', which he said is "perfectly compatible with the flexibility-criteria of capitalism".

Privatization

Mr. Gomes Casseres next took pains to explain that he was not suggesting making Government more business-like nor that businessmen would be better equipped to run the nation. The premises underlying the management of business and the state are too different to warrant such ideas, which he labelled as folly. It would on the other hand also be folly if "government were not to make optimal use of the characteristics in which business excels: that of flexibility, that of adapting quickly to change, and that of pragmatism. This move from the public sector", he said, "to the private sector, with the objective of making better use of the private sector's strengths to help government accomplish

its own goals, is recognized today as a major new social change, that of 'privatization'".

This concept, he proposed, should be put into practice as a result of the new partnership between government and business. By way of example, Mr. Gomes Casseres indicated four areas "in which an active privatization policy would be beneficial to our entire community." He started off with a dictate of common sense. "Turn over to the private sector those tasks it is able to manage more efficiently than the public sector", he said. But, alas, common sense is a gift politicians are rarely endowed with. Nevertheless his suggestions, which because of reasons of political expediency have little chance to be enacted, make sense. He mentioned as specific areas where the private sector might do a much better job "maintenance of our road system, garbage collection, parcel post service, motor vehicle inspection, public park maintenance and other public tasks presently inefficiently, ineffectively, and expensively done by Government". At this stage of his speech Mr. Gomes Casseres proved to be a real businessman for whom cost-effectiveness and quality count.

Politicians in general are only interested in power and consequently may not be inclined to let such large slices of their territory slip out of their hands. In fact when he mentioned the second area for privatization, Mr. Gomes Casseres himself underlined the above made observation. Again very sensibly he urged the government to allow that number of public services which during the past years was incorporated and had private sector managers appointed to their boards, to become "not only in name but also in fact.... private sector corporations". An appeal he found necessary to make because 'too often political goals and meddling have been allowed to affect and overturn sound management decisions'.

Mutual assistance

Maybe Mr. Gomes Casseres should have mentioned in the first place what he now forwarded as a third area and that for the simple reason that this third suggestion contained much praise for the government. Referring to the renegotiating of the tax treaty with the US, he spoke of "a good example of business-government partnership". "Not only", he said, "has

the government included in its negotiation team private sector representatives, but the private sector has also put at the disposal of the government a back-up team of off-shore experts". This method, he felt, could be used in a large number of other areas. No doubt, he is right. As was his fourth suggestion, this time directed to the private sector. The business community should make its very best members and not some lower echelon officers available to serve on joint task forces if only to convince government and politicians of the sincerity of its desire to contribute to the nation's welfare.

Concluding this part of his speech Mr. Gomes Casseres observed that "privatization is recognized today in Western Europe and the United States as one of the keys to solving society's complex problems, because privatization in effect makes use of the strengths of the private sector towards the ends strived for by government".

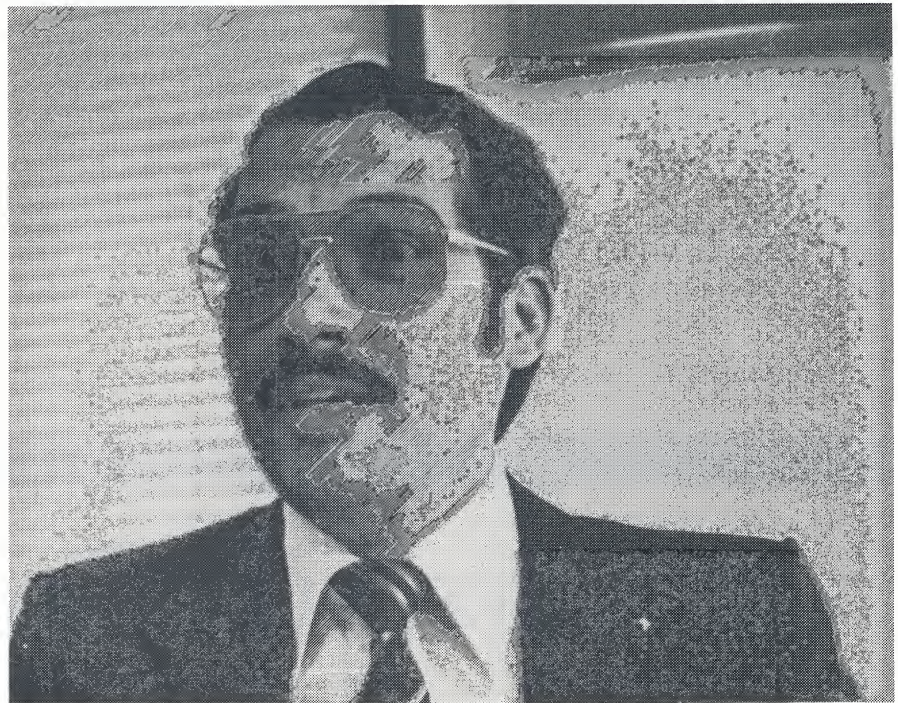
Burocracy

A second cornerstone of a development strategy for the Netherlands Antilles should be international competitiveness, Mr. Gomes Casseres said. Fifteen years of talking about unemployment and inflation has not brought the insight "that these are but symptoms of a deteriorating economic base", he stated. And more bluntly: "as a result of an exaggerated shift toward wages and employment benefits and away from profits, we have increased the vulnerability of two of our traditional pillars, oil and ship repair. Our policies to attempt to relieve unemployment have generally been a failure, because they have not attempted to make our country internationally competitive in export industries, in tourism, or even, until the recent changes in Free Zone tax legislation and the building of the container terminal, in international commerce".

Having clearly stated that he was not about to advocate Adam Smith's laissez-faire theories, he continued by saying that "a successful government policy to re-establish international competitiveness of our economy will promote increased investment, more rapid adaptation to changing economic climate, and increased mobility of labour". With regard to furthering investments, Mr. Gomes Casseres made a very interesting remark. Noting that all over the world people complain about the bureaucracy's red tape — "and we are no different" — the Antilles

complex system of government makes that problem even more cumbersome. He was referring to the distinctly different levels of authority (federal and island), which at the same time have areas of responsibility that touch each other and often overlap. "To this, he reminded the audience, "we are about to add a third one after January 1, 1968".

At that date Aruba will leave the Antillean constellation and a Union of the Netherlands Antilles will be formed in order to organize the co-operation between the remaining five islands and Aruba.



Adaptation

Mr. Gomes Casseres proposed to take advantage of that development by eliminating one complete level of government. "Such a move", he said, "would have a dramatic and positive impact on the government's ability to resolve the issues it faces, to direct development, to extend permits, to pass and implement legislation, and to exercise authority: in short, the removal of one level of government would have a dramatically positive effect on the art and the practice of Government itself and would therefore strengthen the investment climate on Curaçao". Unfortunately Mr. Gomes Casseres did not enlarge on this proposal, which in essence seems to be most promising with regard to the urgent problem of untangling the bureaucratic web the Antilles has got itself into.

He did enlarge, however, on the other two themes of adaptation to a changing economic climate and the mobility of labour. In doing so he took his lead from a thought expressed by Peter F. Drucker: "..... there is a need for an open-ended economy, an economy in which business can be born, but one in which business can also die". By this he did not want to propagate a society in which "the market is allowed to work on its own, with the resulting bankruptcies, unemployment and human hardship". But neither did he intend to switch to the other extreme of protecting businesses by erecting tariff bar-

riers, or by providing continuous subsidies to protect the business from international competition. Protection, he felt, is in place where it concerns infant industries or when economic change develops more rapidly than adaptation and adjustment can be applied. But such government aid should always be limited in time and scope.

Choice of costs

"The third and preferred choice", he then proposed, "is for government to ease the adjustment out of declining businesses by assisting workers with re-training and even re-locating, and by stimulating the creation of new businesses to replace the declining ones". Such a choice, Mr. Gomes Casseres said would entail among other things. ▶

CURAÇAO

— increased human resource and financial support for retraining institutions like FEFFYK;

— working actively in all sectors towards removing the hostile and negative stigmas emotionally attached to business, to productivity, to capital, and to profit;

— replacing disincentives for productivity — such as our infamous Termination Law — with policies that provide incentives for productivity and long-term employment;

— providing incentives for export by domestic industries and financing for high-risk ventures;

— retraining wage subsidies to employers who take experienced employees from a phased out industry into their service;

— promotion, even at net public expense, of so-called linkage companies, that is companies which by their very establishment will draw other corporations to establish here;

— and, finally, jointly with the private sector, seeking to provide the foresight to identify in advance declining sectors of

the economy and to pinpoint international growth industries with the objective of offering specific incentives for establishment here, in advance of other developing countries in our region.

As may be evident from these latter remarks strategies to prevent business from adapting or to conserve businesses that are no longer competitive are much easier to devise. But they are, said Mr. Gomes Casseres, much more costly to the community and without any real future.

Challenge

The third and last key element, according to Mr. Gomes Casseres, that ties it all together is a 'commitment to excellence'. Quoting Jamaica's Michael Manley, he said: "somehow there must emerge in Third World countries a commitment to excellence and an acceptance that work cannot be judged in terms of the stigmas which were irrelevantly imposed as a by-product of slavery and colonialism. Martin Luther King once spoke of the import-

ance of a man feeling impelled to be the best streetcleaner in the world". That mentality should be ours, he said. Mediocrity should not be regarded as good enough. In fact he lashed out at the easiness wherewith people accept mediocre politicians, mediocre labour leaders, and mediocre leaders of business. What the Antillean society should attain to is the very best. Knowing full well that these words might be met by cynism in many quarters he remarked: If you think this would be a dream, let it be so; for a dream to work towards is a lot better than a nightmare to live through. Fifteen years of decline can be turned around, but I believed it can be turned around only if all of us commit ourselves to excellence — a commitment that will govern all our actions in government, in politics, in business and in trade unions".

The country after fifteen years not only of decline but also of rapid social change and a growing awareness of the vulnerability of the economy, may well be ready to face the challenge Mr. Gomes Casseres put before it. ■

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CLAUDE WATHEY REPORTS

WITH ALL OUR EGGS IN ONE BASKET

ALL OUR PROBLEMS WERE IN ONE PLACE

"Over the years, experts in many fields have cornered me, giving what they felt were good solid warnings that the manner in which St. Maarten was developing in the 60's and 70's was dangerous and had very little chance of any kind of long-term success. They were of course referring to what economists call a uni-pillared economic structure".

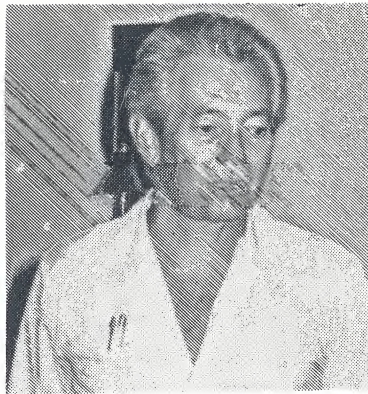
From these opening sentences, Mr. Claude Wathey, St. Maarten's foremost political leader, speaking at a seminar of the International Tax Planning Association, proceeded to give an account of his policies, which paved the way for the island's present prosperity. He also indicated the direction his Government is planning for the future. One of the reasons Mr. Wathey chose this particular occasion to enlarge on his political philosophy is that he envisages a future for St. Maarten as an international financial centre, besides the well established tourism industry.

One important feature of his speech: in contrast to many if not most Antillean politicians Mr. Wathey appears to be an excellent strategist capable of long-term planning.

Limited choice

Mr. Wathey admitted that "putting all your eggs in one basket, basing your entire economy on one source of income, can be very dangerous". But that approach was consciously taken by St. Maarten when it started on the road to development. Against all advice, it should be noted.

But, contended Mr. Wathey, the economic theory of diversification as a must for stable development may in general be correct, it is not always a wise strategy. "There is also", he said, "the matter of choices available". And even if there are choices applying, that principle may not always yield the desired success. He pointed out that many other Caribbean islands "set out on a course of developing as many diverse sectors of their economy as possible". They did indeed have



choices, but "too often the results have been disastrous. Limited financial resources were budgeted to various developmental sectors, only to find out that after these resources had been exhausted and not replaced, the objectives established had not been accomplished".

Declared Mr. Wathey: "We were determined not to follow this course". "And anyhow", he added, "not many options were available". His island's major resource, he said, was the natural beauty and the genuine friendly attitude of the native St. Maartener.

Success

"With this in hand", Mr. Wathey continued, "we set out to develop the island. Investors were wooed and actively sought. And we were determined that once a potential investor landed here we would not loose him to another island". But the early stages of development were slow and often discouraging, he told his audience. "Investors knew little about the island and were reluctant to tie up their capital. Tourist awareness of St. Maarten was minimal. Qualified government manpower was spread thin".

But having chosen for this single approach, St. Maarten had provided itself with one great advantage: "with all our eggs in one basket, all our problems were

in one place. We concentrated on these problems and ignored other distractions". Not long afterwards St. Maarten was labelled a boom-island. Even during the past three years when many neighbouring islands witnessed a decline of their income "we have seen a constant and steady increase".

With obvious pride Mr. Wathey added: "considering the fact that this development took place on an island of 38 square miles, of which only 17 is under my government's jurisdiction, we can all agree that the results of our earlier developmental strategy have been excellent".

New strategy

Mr. Wathey then proceeded to look at the future. The warnings of advisers in the past might have been ignored, they were certainly not forgotten. It was realized, said Mr. Wathey, that plans had to be made for the eventual levelling off of the growth of St. Maarten's economy. The earlier threats and obstacles were slowly disappearing, but new ones were now facing St. Maarten. He mentioned the recent recession in the USA, the growing competition from other islands and the minimal funds available for promotional purposes.

A twofold plan was developed. First of all it was decided to take all measures necessary to strengthen the one pillar economy. "We felt that we must make tourism as stable as possible". Mr. Wathey raised the obvious question, how something can be made stable that by its very nature is independent and virtually outside one's control. The answer he gave was as simple as St. Maarten-like: "we have always felt that tourism is not as fickle as we are led to believe. Tourism does not leave an island; tourism is driven from an island! This being our believe, a plan was developed".

For this purpose co-operation of all partners in tourism was established. Next it was decided to intensify public relations and marketing efforts. The days of selling

an island to its tourists purely for its natural beauty are gone, Mr. Wathey argued. "We need to know more about our visitors and what was making them come here. We needed to get as much exposure for the island as possible".

St. Maarten's Tourist office in the USA kept sending travel-writers and photographers while supplying newspapers and travel magazines with a constant supply of press-releases.

A most important development, according to Mr. Wathey, was the recently established partnership between the USA based Tourist office and Mallory Factor Inc., a firm involved with marketing and market research, which has the ability to expose the island to a wide cross-section of the US trade and commerce world.

A third aspect of the newly developed policy was called unfortunate but necessary by Mr. Wathey, who obviously is a strong believer in free enterprise and as little government interference as possible. But monitoring of the hotels with regard to room rates and quality of service is inevitable if one wants the tourists to keep returning year after year.

He confided to his audience that the same monitoring policy will soon be applied to pricing policies of the shops, boutiques and restaurants. "Business is still at such a high level", he explained, "that the early effects of pricing ourselves out of the market are being muffled, but the point is being brought up more and more by travellers and travel agents".

Minimal government

On the other hand the policy followed in the past to stay away as much as possible from being directly involved in management-labour disputes, would be continued by his government, Mr. Wathey said. Having a sly dig at Curaçao he remarked "to a large extent an island's

problems today can be blamed on the over-participation of government in the conflicts between management and labour in the past". Needless to say that Mr. Wathey added that he expects reasonableness from the unions in the future like in the past.

A sixth aspect of the back-up policy for tourism concerns the training of hotel employees. Mr. Wathey felt this to be the responsibility of the employers in the first place. But government, he said, should play an enforcing and enabling role in this respect. The establishment of permanent training facilities is being considered. In the meantime assistance for training is being given by the National Institute for Educational Cooperation of Venezuela and Johnson and Wales College in the USA. Also the St. Maarten's Chamber of Commerce is doing its part. "All three of these", Wathey also said, "have initiated training programmes that should substantially raise the level of tourist awareness among our people".

The last point he mentioned in this respect was the constant care of the government to keep education in the schools on a level in accordance with the development of the island. He noted with satisfaction that his small island has at the moment three hundred young men and women following advanced studies abroad.

Then Mr. Wathey came back to the concept of diversification. It is to be the second part of the policy for the future of St. Maarten, he told. But having been criticized so many years by "economists who told us to diversify because it is safe, secure and fits nicely with the econometric models that only they understand and enjoy" he once more told his audience in "layman terms" why it would have been folly to follow their advice in the past and why it should be applied now.

"We had very few options; little financial resources and no means of livelihood for the people. We chose to concentrate on tourism and I can proudly say it worked". But no less proudly he continued: "Today, however, it's different. Today we can afford to diversify"!

Objectives

Two main objectives have been set by St. Maarten's government to give the island's economy a broader base. The first consists, according to Wathey, in attracting light industry"; primarily automated or mechanized, since our wages are probably too high to justify a labour intensive process. In this connection he mentioned his satisfaction with the Caribbean Basin Initiative of the Reagan administration. St. Maarten has decided to establish its own direct contacts with the CBI information Centre in Washington. But maybe even more promising is the earlier mentioned partnership with Mallory Factor Inc., which should besides luring more tourists to the island also bring St. Maarten to the attention of US companies seeking overseas investment opportunities.

The second objective Mr. Wathey defined as "developing ourselves into an important financial centre." And he continued: "Much in the same manner that we prepared the island for tourism, we must now prepare St. Maarten for Off Shore company purposes".

Not hiding his intention of becoming a fierce competitor of Curaçao he told the international gathering of Off Shore experts that the communication system of St. Maarten is comparable to that of Curaçao, but he added "that is not good enough. We are presently spending Naf 17 million on improving the existing system!" He also reminded them of the fact that all tax and treaty advantages Curaçao offers are being offered by St. Maarten as well for the simple reason that they are federal regulations. "A St. Maarten Corporation therefore qualifies for all the treaty protections that any other Neth. Antillean corporation enjoys".

He shrewdly ended his speech by pointing out that the smallness of his island and administration also implies a minimum of red tape. He called it "one of the additional incentives" St. Maarten has to offer. And again, like so often in his 33 year career as the island's foremost political leader, he had a point. ■

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by H. C. Beers

Introduction.

After the economy had shown remarkable resistance to the surrounding world recession, the Netherlands Antilles were finally hit early 1983. The economy responded with flexibility and determination. Wage earners have accepted measures of wage restraint in order to protect employment. Confronted with a choice between large scale dismissals or a reduction in wages, the Curaçao Drydek workers accepted a general wage reduction of no less than 23 percent. The Shell oil refinery on Curaçao has also reduced real wages, although with more difficulty. The government has announced its intention also to reduce real wages and to improve public finance. The balance of payments showed a deficit of f52 million, which was less than expected and mainly resulted from the absence of the Venezuelan tourists, who traditionally were the big shoppers on Curaçao. The consequences of the Bolivar devaluation were widely and heavily felt. The level of foreign exchange reserves, however, stayed satisfactory and the same is true for inflation, which has been brought down to fairly low levels.

Foreign reserves.

During the last few weeks of December 1983 a considerable inflow of foreign exchange accounted for a modest decrease of f. 52 million in foreign reserves at year end. At mid December the decrease was still estimated at over f. 100 million. The improvement was caused by a substantial amount of development aid from the Netherlands and profit tax payment by the so-called offshore companies. The outstanding balances with the Central Bank for Multi-Annual Plan Projects grew in this period from about f 20 million to f 38 million. The total amount of profit tax payments is not yet known. A great part, however, comprises back log taxes.

The annual decrease hardly came as a surprise after four consecutive years of strong growth of f 63 million on an average. The 1983 turnabout resulted from a fall in tourism revenues due to the devaluation of the Venezuelan Bolivar, less revenues from oil refineries on account of less profit taxes, as well as declined earnings from transportation services, reflecting the difficulties of the Curaçao Drydock Company. The level of reserves are relatively high. After reaching a low of less than one month of imports in mid-1979, the foreign exchange reserves steadily increased to f 340 million at the end of 1983. This amount does not include the gold stock of f 41.4 million. The

total amount of f 381 million correspond with about 2,7 month of imports, which is relatively high according to internationally accepted standards. A forecast for 1984 is difficult, but in view of the economic developments a surplus is not yet to be expected. The measures of wage moderation and the strengthening of public finance will take some time to produce the necessary effects. The best guess for 1984 is a decrease in reserves to the same extent as 1983.

A change in the exchange rate will serve no purpose without prior agreement in the acceptance of a reduction in real wages. Once such an agreement has been reached and the reduction has been brought about such a devaluation would be redundant. The Netherlands Antilles have the benefit of a traditionally fixed exchange rate on a major currency, the U.S. dollar. This benefit should be maintained when a policy of adjusting real wages is implemented in order to discover new economic opportunities by exploiting the ever-changing circumstances in international trade, services and finance, as in the past.

Balance of payments.

The Central Bank released the figures of the external payments during the third quarter of 1983. In table 2 the figures are

presented combined with the first and second quarter. The overall deficit amounted to f 51 million compared with a sizable surplus of f 124 million in the corresponding period of the previous year. This turn of f 175 million was mainly caused by less foreign exchange revenues from tourism and oil refining. The fall in tourism resulted from the disappearance of the Venezuelan visitors due to the devaluation of the Bolivar in the beginning of 1983. The Bolivar proceeds plunged from f 184 million in the period under review in 1982 to only f 37 million in 1983.

This blow was particularly felt in Curaçao. Whereas in 1982 a net income from tourism had been recorded of 133 million, the tourism account for 1983 showed hardly any contribution to foreign exchange earnings. During the period January / September 1983 net receipts from tourism in Curaçao amounted to a mere f 3 million. Also Aruba showed a fall in tourism but not to such a great extent. Net receipts fell from f 178 million to f 132 million. St. Maarten recorded a small growth of f 4 million to f 168 million. The level of receipts from oil refining are determined mostly by the amount of profit tax paid by the refineries. In 1983 Lago Aruba had to pay a considerable amount less than the previous year, which accounted for the fall of these foreign exchange revenues.

Inflation

During October 1983 the consumer prices did not show any change on an average, resulting in a rate of inflation of exactly 2 percent compared with the end of the previous year. This rate means a considerable decline in the growth of consumer prices for the third consecutive year; 1982 showed an inflation rate of 4.7 percent and 1981 of 8.6 percent, which is about half the growth of 1980 when a percentage of 16 was recorded. Hardly any

consumer goods are produced domestically. Consumer prices therefore are determined mainly by external factors, principally inflation abroad and currency movements. Some other important local factors comprise price controls in the form of a maximum retail margin for a number of essential products, including food and beverages as well as medical supplies. In addition rents for dwellings are also controlled and the government subsidizes public utilities, the telephone company and the desalination plants.

Government finance

The federal government was able to reduce its loan facility with the Central Bank at the end of 1983 to an amount of f99 million. During the second half of 1983 the balance was usually well above f100 million. In the previous year the Central Bank maintained a limit of f90 million which was almost fully used during most of the period. However, due to a structural tendency for public expenditures to grow more rapidly than tax receipts, the Minister of Finance decided to surpass the limit by about f20 million. In December 1983 the Central Bank was again requested to disburse all its profit as an interim dividend to the federal government to redeem the loan facility. The remaining balance of undistributed income 1982 was used for the same purpose, enabling the federal government at year end to show a debt of just below f 100 million to the Central Bank.

In mid January the outstanding amount even fell to a level of f93 million, but then the government ran into difficulties with refinancing its treasury paper. An amount of about f 15 million had to be repaid causing the loan facility to climb to f 109 million at January 20. During the entire year of 1983 the government was not able to sell additional treasury paper to the banks.

At year end an amount of f 100 million was outstanding compared with f 101 million at the end of 1982 and f 63 million at the end of 1981. The federal government had more luck with the issuance of bonds in the local capital market. In 1983 it was able to increase the outstanding amount by f 18 million to f 113 million. During 1982 an amount of f 33 million had been sold. The federal government will face seemingly unsurmountable financial

problems in 1984. The growth rate of expenditures has been much higher than of revenues. Some adjust measures have been announced. They involve higher revenues rather than cutting expenditure. The local profit tax is to rise from about 40 to 48 percent. Import duties on luxury consumer durables have been increased as well as the exise duties on gasoline, tobacco and alcohol. Moreover, the tax on exchange transactions rose from 0.8 to 1.3 percent and the government seems to consider a further increase. This is a controversial measure as it introduces incentives in favour of foreign exchange transactions outside the banking system to escape the tax.

Shell Curaçao

Shell Curaçao recorded a loss of f 42 million for 1983 which is a sizable improvement compared with 1982 when the negative operational result amounted to f158 million. The first quarter of 1983 already showed a loss of f43 million. In the second quarter a breakeven point was reached followed by a small profit of f 3 million in the third quarter. The last quarter, however, closed with a loss of f 2 million. These results are exclusive of profits and losses from stocks of crude and oil products. The gross margin between revenues and purchase price improved substantially, but was not enough to cover all expenses amounting to f 436 million during 1983. The expenses included personnel costs, depreciation, interest and taxes and were favourably influenced by cost reducing measures. Stocks decreased considerably mainly to finance the operational loss and to reduce the expenses of keeping stocks. The sale resulted in a profit which off setted the operational loss in part; total outcome for 1983 including these windfall profits, however, stayed negative.

The refinery expects to reduce expenses again in 1984. In view of the smaller margin between Venezuelan crude oil and the downward trend of international product prices, the prospects for 1984 are not favourable and a substantial operational loss is forecasted. The negotiations with the Venezuelan oil company Maraven are not yet finished. However, it is clear that the prices will be increased. Since the beginning of January after

maturing of the previous contract Shell Curaçao already had to pay the official prices, which are higher than the old contracted prices. The negotiations with the trade union are also not yet producing the necessary results. The old collective labour agreement terminated at the end of September. In January the labour union organized a referendum among its members and got a mandate to do concessions with reference to the Shell proposals to cut on indexation for inflation and the holiday allowance. The labour union delegation, however, showed little enthusiasm to make full use of this mandate when negotiating with the Shell management.

Lago Aruba

The retiring Lago-president Gerry Golden declared in his last Christmas message that 1984 will be a challenging year. Reducing expenses, improvement of products as well as maintaining the reliability of exploitation and the security regulations are some of the main goals to be reached to make 1984 a successful year.

He reminded his staff of the 43 days of strike which began in November 1982 and lasted through January 1983 making the start of 1983 very difficult. He also pointed out the reduction in the oil delivery from Venezuela to a level of 180,000 barrels. The competing circumstances caused a reduction in the transshipment activities. He expected that this development will continue in the future resulting in a lower use of the transshipment equipment. Lago has to adapt the transshipment terminal to a daily level of 100,000 barrels crude oil from the Middle East. In view of these developments the capacity of both the refinery and the transshipment terminal will be reduced, resulting in less employment for expatriate and local staff.

Already 300 employees made use of the release program. However, the possibility exists that more workers will have to be laid-off. A number of 150 has been mentioned as redundant; they are involved at the moment in temporary activities. During the coming months a decision will be made. Last year Lago paid an amount of f132 million in profit tax. Due to above mentioned developments the profit for 1983 will be much lower, resulting in a tax amount of about f 55 million to pay in the middle of 1984. Such a fall will have serious complications for government finances and the balance of payments. ▶

FINANCE

Bopec Bonaire

The oil Transshipment company of Bonaire faced a good many difficulties last year. One of the towing boats was laid off and the crew as well. The concern among the workers increased when the management proposed some wage cutting measures while meeting with the labour union to reach a new collective labour agreement. Compensation for inflation would be paid only in excess of 5 percent. The number of staff might be reduced. A maximum of 125 workers should be sufficient for the company. The financial position deteriorated compared with last year. No figures have been published, but it was mentioned that the company was running at a loss. The last few months showed a slight recovery. However, this favourable development is considered to be of a temporary nature.

Meanwhile the management announced that nobody will be laid off. By reorganizing some activities and changing the system of subcontractors, the threat of dismissal has been taken away. Before the reorganization twelve workers were expected to be laid off.

ALM

The national airline ALM intends to reach a final agreement with all the labour unions before the end of February. The voluntary lay-off of the staff as agreed upon last year, will be discussed. The airline will attempt to reach a profitable situation within three years by cost controlling measures and higher revenues. For the financial year 1984/85 a loss of f 9 million has been forecasted, which should be reduced to f 3 million in 1985/86. In the period 1986/87 a break-even point should be reached. In case the airline does not succeed to cover expenses by revenues, the management intends to reduce operations such as the flight schedule, the type of aircraft and the service to its customers. Of course, this will hamper the possibilities to grow and certainly will lead to more lay-offs.

Offshore services

The incorporations of new offshore companies sharply decreased in 1983 by about 40%. In 1982 a total number of 4187, including a small number of local enterprises, had been registered compared with 2544 in 1983. Also the number of changes of the articles of incorporation

decreased, although to a lesser extent: 1549 in 1982 against 1434 in 1983. Tax revenues, including huge back logs, climbed in 1983 considerably. According to the external cash flow figures for the period January / September 1983 the amount grew by f 28 million to f 207 for that period. Operational expenditures did not grow but fell by f 8 million to f 94 mil-

lion. Future prospects for this sector are clouded by the uncertainty regarding the tax treaty with the United States. This treaty formally expired at the end of June 1980 and at the request of the United States is currently being renegotiated; meanwhile the existing treaty is automatically extended for one-year periods so long as a new agreement is not reached. ■

Table 1

condensed balance sheet Central Bank ; f. million.					
end of	Dec. '83	Sept. '83	June '83	March '83	Dec. '82
assets					
gold stock	41.4	41.4	41.4	41.4	41.4
foreign reserves	295.9	289.3	285.7	334.3	334.0
loans to:					
— fed. government	98.9	110.0	89.7	89.9	89.1
— isl. government	19.6	---	15.0	---	---
— others	1.0	1.0	1.0	1.1	1.1
sundry assets	6.0	6.0	5.5	5.5	5.4
TOTAL	462.8	447.7	438.3	472.2	471.0
Liabilities:					
banknotes	178.8	171.2	184.6	184.2	179.2
deposits held by:					
— tax collector	6.0	3.9	4.5	1.5	7.6
— isl. governments	112.5	128.2	51.8	75.9	90.1
— banks	35.9	28.2	68.0	100.6	68.6
— development projects	38.2	14.0	27.5	6.4	23.8
— other residents	17.6	19.6	19.6	17.4	16.6
— non-residents	0.6	2.0	3.9	2.3	---
money in custody	2.1	2.1	2.1	2.1	2.1
sundry liabilities	7.3	14.7	12.5	18.1	19.2
Capital and reserves	63.8	63.8	63.8	63.8	63.8

Table 2

external cash flow JANUARY / SEPTEMBER; f. millions.			
	1983	1982	change
merchandise	-1054	-1102	48
transportation	138	175	-37
tourism	304	481	-177
investment income	6	17	-11
government transfers	225	193	32
private transfers	-99	-87	-12
transfers oil			
— refineries	370	425	-55
other payments	63	81	-18
balance	-47	183	-230
private capital	-72	-93	21
government capital	28	21	7
balance	-44	-72	28
statistical differences	40	13	27
change reserves	-51	124	-175

RADIO HOYER THE WORLD'S FIRST TO GO SOLAR

by Dale Anne van der Pol

The world's first fully solar powered FM radio stations, operated by Radio Hoyer N.V., will go on the air in March 1984 on Curaçao.

Radio Hoyer N.V. is a locally owned, 30 year old company which is operating two AM stations, Hoyer I and II, one each for Dutch and Papiamentu programming, and one FM station, Hoyer 4.

New site

When environmental legislation caused the removal of its FM antenna from a residential area, Hoyer was forced to go shopping for a new site for its transmitters and antenna. An approved site at Malpais near the center of the island worked for the AM stations. FM, however, kept "bouncing" off the face of the Christoffelberg, the island's highest

mountain in the west.

With an innovative engineering firm, Industrial Electronics, in hand, the station narrowed the choice down to the highest ridge of the island's easternmost mountain, the Tafelberg, where phosphate had been mined on a large scale up until 1979. The site was perfect, except for the lack of electricity. There weren't even water lines to use in construction.

Solar energy

Cost and convenience considerations sparked the decision to go solar, and once the decision was made, the station committed over a quarter of a million dollars to the undertaking. Industrial Electronics, with Mr. Ecke Huisman the managing director in charge of marketing and Mr. Freddy Chumaceiro the managing direc-

tor for technical operations, set out to design a workable system, with Mr. Chumaceiro himself as project specialist.

Because the mine still removes limestone from the mountain, the antenna foundation had to be constructed to withstand blasting shocks. A self supporting antenna was chosen, which can withstand a wind velocity of up to 100mph. The transmitters, housed in a specially grounded building in a room next to the battery bank, had to be cooled. An aluminium heatsink unit was installed in an ordinary window frame, replacing the usual method of choice, airconditioning. It is the first such use of this climate-control method in the world, and one on an unusually large scale. Normally the heatsink method is used to cool transistors. Just up the ridge, mounted on one half of an elongated hexagonal concrete

A Dynamic couple

"I will never forget it and you may not believe it" said Jacques Visser, when asked what made him decide to go solar. "Helen and I were about to leave for a five week holiday in Europe. In the months preceding we had been looking for a suitable new place from which to transmit. We found the ideal spot except there was no water nor electricity available. Then a couple of hours before our plane was to take off, Freddy Chumaceiro of Industrial Electronics, who has given us marvelous cooperation over the years, dropped in. There are only two solutions to your problem, he told us. That is if we wanted to stay with our choice of the Tafelberg as the new location from which to transmit. It is to be either installing a couple of generators, said Freddy, or employing solar energy.

Now we had been broadcasting a number of programmes about natural energy and I had often wondered why no use was being made of these possibilities on Curaçao. So when Freddy mentioned solar energy I decided there and then. "Get cracking at it" I told him and off we were to Europe".

When Jacques and Helen came back five weeks later, Freddy had it all figured out and the final decision to go ahead was taken.

Interview



For one compelling reason that story is not hard to believe: Helen and Jacques! A most energetic and spirited couple who are the driving force behind Radio Hoyer, the popular broadcasting station established thirty years ago by Helen's father, Horacio Hoyer.



bed are 128 ARCO photovoltaic cells. The other half of the solar bed is in reserve for future expansion of the station.

Antenna

Energy saving prerogatives and island geography prompted yet another innovation, a very highly directional antenna system which concentrates the signals on land and eliminates the waste of power on the unpeopled Caribbean. Using a specially designed composite 300 Watt transmitter, this brings the effected radiated

power up to 5 kilowatts per station. A micro-processor was inserted into the power system to regulate energy flow and ensure that there would be a 12 hour reserve for nighttime and overcast transmission days, stored in a battery bank in the powerhouse.

Celebration

On its thirtieth anniversary, March 10, Hoyer will begin transmission over the two new FM frequencies, simultaneously with the AM stations' daytime program-

ming. In the evening they will split the transmissions and send out two separate FM programs as well, so that 4 different Hoyer stations will be on the air at one time. Celebrating their breakthrough, becoming the first fully solar station in the world, Hoyer will on that day be joined by a score of media people both from the Antilles and abroad. Leading media magazines are sending over reporters for the occasion. Radio Hoyer's management has declared its willingness to make the technology available to interested stations. ■

Helen grew up in broadcasting. She was also born for the profession. After finishing highschool she went to Holland to take a one-year course in radio technology. From there she travelled to Spain for a two year training in broadcasting. Helen is still fully licenced for broadcasting in that country. Then back to Curaçao where she started working at her father's station. Today she is the principal shareholder and runs the station together with her husband Jacques. She is also still active in actual broadcasting taking care of the morning and afternoon newscasts in papiamento. "She's a natural" says Jacques, who claims to keep falling in love with her voice.

Jacques, born on Curaçao from Dutch parents, left the island when he was 10 years old. Educated in the Netherlands his first ambition was to become a sports instructor. But soon he became aware of his talent for p.r. and media work. "In fact", he says, "I am a do-er". As a young man he came back to the island of his childhood and worked for two advertizing agencies, the TV-station and on and off for Radio Hoyer. That is where he met Helen and it did not take long for them to fall in love nor to get married.

The first five years of their marriage Jacques was employed by Dovale's Advertizing Agency. "Our intention was", he

explains, "to build our own separate careers. But after a short break of free-lancing and news reading at TeleCuraçao I started to help out at Hoyer part time. Success began coming our way. Radio Hoyer II in particular became rapidly very popular. Soon I was involved full time.

Management at Hoyer, which employs 26 people full time and is contributed to by 41 free-lancers, is a team affair. Helen takes charge of all financial matters. **Elton Lauf** is the technical director, while Jacques occupies himself with sales, advertizing, promotion and programming. Says Jacques: "in theory each has his own department, but in reality we operate as a team".

Jacques keeps coming back to the new transmitting station. "It's not only that we are going fully solar", he says, "the other novelty is our carefully directed antenna system. Working with 16 antennas pointed at Curaçao's inhabited areas and two at Bonaire, we will eliminate a lot of waste and therefore need far less power".

"And there is one more thing. When you get up that mountain and stand outside the station you will notice, almost hear how beautifully quiet it is. Just imagine we had installed a generator. The noise would have spoiled everything up there". ■



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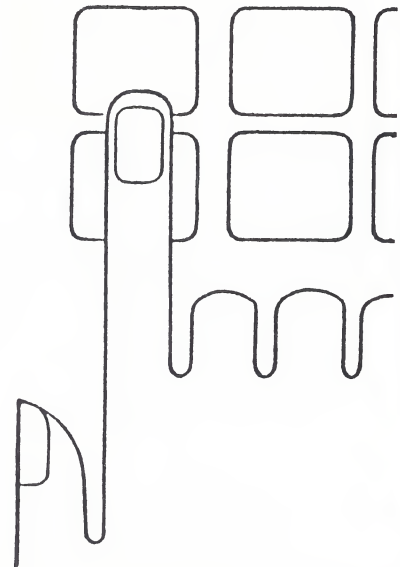
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RENEGOTIATION OF TAX TREATY NEARS CONCLUSION

Progress Report

Three years of painstaking negotiations between the USA and the Netherlands Antilles to revise and update a 20 year old tax-treaty are drawing to a close. The signing of heads of agreement is expected to take place in Washington (DC) within weeks. The new treaty is considered by insiders to do fair justice to the interests of both signatories. The Netherlands Antilles, a long-time gateway to the Euro-dollar market, will continue to function as a tax favourable route for US issuers of Eurobonds. The US government, anxious about alleged but unproven abuse of the existing treaty for the purpose of laundering illegally gotten gains, is said to receive adequate assurances to the contrary by the new provisions, without jeopardizing the Antilles' name as a trustworthy financial centre. One implied advantage for both parties concerned is that the Antilles — one of the staunchest democratic allies of the USA in the Caribbean — will continue to receive a steady income from its services to the international world of finance. An income without which it would be plunged into social chaos and might rapidly become another political liability in the already volatile region bordering the south of the USA.

The remarkable development of the Netherlands Antilles into a major financial centre was originally initiated by the USA. The balance of payment crisis of the 1960's prompted the US-administration to adopt a program aimed at preventing the devaluation of the US dollar. American companies were encouraged by the Treasury Department to borrow abroad through measures like the interest equalization tax, the foreign direct investment program, the related voluntary foreign credit restraint program, a relaxation of the no action letter policy of the securities and exchange commission with respect to foreign offerings by US companies and most importantly the ruling policy of the IRS encouraging foreign borrowings through finance subsidiaries.

Antillen route

The 1963 tax treaty with the Netherlands Antilles provided US firms with a tax favourable entry into the Euro-dollar market. Interests paid to an Antillean subsidiary are by virtue of the treaty exempted from the 30% withholding tax in the USA. It should be noted, however, that the Antillean Government in accord-

ance with the treaty levies the same rate be it on the net profit. (Labelling the Neth. Antilles a 'tax-haven' is for this and a number of other reasons misleading). Right up to 1973, when the balance of payments crisis subsided, the IRS issued numerous private ruling letters to the above mentioned effect as long as the subsidiary debt to equity ratio did not exceed 5-1. A series of published rulings for the same purpose were issued in the period 1969-1973. Once the crisis was over and the US abandoned the fixed exchange rate systems for the dollar, the IRS revoked its prior rulings. Nonetheless, US corporations continued to utilize Neth. Antilles finance subsidiaries backed by opinions of counsel from the leading Wall Street Law firms. The practice was tacitly accepted by the IRS in that during the period 1973-1983 no challenge was put forward with regard to a properly structured Neth. Antilles finance subsidiary.

Infra-structure

The US government's policy to en-

courage American companies to use the Neth. Antilles as a financial route to obtain financing from foreign markets did much to elevate the Antilles and more in particular the island Curaçao into a major financial centre. True to its age-long history as a foremost centre of trade (caused by a total lack of natural resources) Curaçao rapidly developed the infra-structure required for this type of international service-rendering. With generous assistance from the Dutch communication facilities were brought up to par, the total investment running well over US\$ 100 million.

Today direct tax revenues from this source constitute 30% of the Federal Government's income. The serious effects of the recent recession on the Antillean economy, almost completely dependent on developments abroad and with a rising unemployment figure, presently over 20%, underline the importance of the off-shore business for this strategically situated country known for its social and political stability.

One treaty

In 1981 negotiations to revise the existing treaty were started on insistence of the US wishing to eliminate the possibility of treaty shopping. The term refers to the practice of residents of countries that do not have an income tax treaty with the US or that have less favourable treaties to organize a corporation in a country like the Antilles that has a favourable treaty. A practice which enables them to invest in the US and profit from the reduced rates of withholding on US dividends, interests, rentals and royalties as provided by the particular treaty. But, so goes the argu-

ment in Washington, a treaty with one country is not a treaty with the rest of the world.

Price

Recently the US terminated its treaties with 18 so-called tax haven countries most of which were former UK territories for this reason. It should be observed that in the majority of these (Caribbean) countries no use as yet was being made of the relevant provisions. The fact that the Antilles have hitherto avoided the fate of termination is due to two aspects. First, since the treaty is the principal vehicle for Eurodollar financing for US companies, it is in the interest of the US to maintain the treaty relationship. Second, the treaty grew out of an historic alliance between the two countries and has become a key contributor to the Neth. Antilles' economy. Eliminating the possibility of treaty shopping by revising the relevant article (16) in the treaty would severely curtail the off-shore business in the Antilles resulting in a substantial loss of income and a further growth of unemployment. The Antillean negotiating team in Washington, moreover, is of the opinion that in the case the US insists, the Antilles will be victimized with no advantage to the US. For although the anti treaty shopping drive is directed at all treaties the US has concluded, it has been indicated in Washington that the said article 16 will be tailored to the requirements of every particular instance.

In other words: a price will be put on allowing the possibility of treaty shopping open. A price the Antilles cannot afford lacking the necessary clout. Thus, a strong limitation on the benefits article in a new US/Neth. Antilles tax treaty will not stop treaty shopping, it will only do so through the Neth. Antilles. The principal effect, it is argued, will be two fold: the ability of the US treasury to tell the US congress that it is achieving its anti-treaty shopping goal and a serious threat to the economic stability of an important Caribbean ally of the US.

Questionable policy

A third effect, according to a study-paper by Deloitte Haskins-Sells, may well have negative consequences for the US economy itself. A significant reduction of new foreign investment and a flight of already invested foreign capital are foreseen. The authors of the paper note that they "know of no authoritative economic

studies done by Treasury on whether article 16 will cause a revenue loss to the US, a loss in new foreign portfolio investment, an outflow of already invested foreign capital from the US, a reduction in the capital pool available to US-owned business, or a reduction in the number of job-producing foreign-owned businesses located in the US". These searching questions seem to agree with the view that overturning 42 years of US treaty policy and administrative practice is questionable, to say the least, and may not be backed up by a really thought through philosophy.

Information exchange

One of the focal points in the negotiations has been the enforcement provision of the new treaty. The US has a legitimate concern about the ability of the two countries to police the use of the treaty to assure that its benefits are not obtained by persons not eligible for those benefits. The Netherlands Antilles, it is reported both in Washington and Willemstad, shares this concern about possible improper use of the treaty and has given full co-operation during the negotiations to construe adequate enforcement procedures without sacrificing legitimate rights to confidentiality.

Press

With regard to this issue a number of articles have recently appeared in leading American newspapers, which cast a dubious light on the objectivity and independence of those institutions. On the morning of April 12 of last year only a few hours before the Commerce, Consumer and Monetary sub-committee of the House Committee on Government operation was scheduled to hold hearings on the use of the Neth. Antilles to avoid US taxes, the status of Treasury's efforts to renegotiate the treaty and the extent to which the Neth. Antilles co-operates with American law enforcement efforts, the New York Times carried an article accusing the Antilles of malpractice by implication. Quoting documents prepared by the afore mentioned sub-committee the NY Times declared that evidence had been uncovered "showing widespread use of the Neth. Antilles for task evasion by organized criminals and narcotics traffickers as well as by business executives". The leaked accusations had yet to be proven. On the second day of the hearings the so-called evidence did not hold up

and the NY Times was obliged to retreat from its accusing stance. On January 28 of this year the Washington Post heralded the same accusations on its front page without offering its readers any substantial proof. Once more the timing of publication seems to indicate a deliberate effort to cloud the final stages of the negotiations. No mention was made in the articles that in 1983 only 48 out of the 30,000 corporations registered in the Neth. Antilles were seen as requiring investigation by the IRS, nor that US law enforcement officials are receiving full co-operation from their Antillean counterparts with regard to the 'laundering' issue and trafficking in narcotics. A co-operation which has been called 'exemplary' by high-ranking US officials and has played a key role in several successful prosecutions.

Withholding tax

The inaccurate and tendentious press coverage coincides with efforts of powerful lobbies in Washington to promote the enactment of S. 1557, a bill which would exempt foreign persons from the present 30% withholding tax on interest earned on certain bonds obligations issued by US persons. A development which would close down the Antillean-route but not be of any substantial advantage to the US. In fact such a regulation would be contrary to US tax policies, like expressed in the Foreign Investment in Real Property Tax Act aimed at foregoing preferential treatment of foreigners in relation to US citizens.

A similar proposal although broader in scope was defeated on the House floor in 1976 by a vote of 301 to 119, and a year later on the Senate floor by 54 to 34. In the intervening years efforts to raise the issue again did not even make it to the floor of either chamber. Thus it may be suspected that the only reason that the proposal is once more receiving attention is caused by the unfortunate and ill-founded rumors ventilated in the US press in order to put pressure on the Antillean negotiating team.

The expectation that a balanced treaty may after all be agreed upon is good news from a geopolitical point of view and fits in with the Reagan administration's Caribbean Basin Initiative. A less balanced treaty would certainly have a disastrous effect on the Antillean economy and cause serious social and political unrest. A development which might prove to be extremely costly to the US in the end.

CURAÇAO CHANDLERS FACE NEW CHALLENGE

by Nancy Siegenthaler

The scene at Curaçao's harbors has changed considerably in the last two years, but ship captains familiar with the harbor know that one thing is certain -- Maduro and Henderson shipchandlers will be at the quay when they pull in.

Fewer ships calling at Curaçao's port means hard work for the two shipchandlers, whose service acumen must be fully alert and ready to go, 24 hours a day, 365 days a year.

"We need the ships. The ships don't need us," said Francis Maduro, owner and manager of Maduro Shipchandlers. "As soon as the ship is in the harbor we're on board."

Together with representatives from Henderson Ship Supply, Maduro's company supplies international ships with everything from frozen food to launches, from chemicals and paints to videotapes, and from spare engine parts to cigarettes and whiskey. Both companies keep diverse inventories as a competitive measure.

Within the last two years, competition between the two suppliers has become acute, because out of seven shipchandlers in Curaçao, the worldwide shipping slump left only their companies remaining. Although Henderson is the largest supplier on the islands, Ship Supply Manager Henry Riese said the competition from Maduro Shipchandlers is, nevertheless, challenging.

"Francis Maduro's men are on board if Henderson's men are not," he said. "And in these days, you can't afford to lose any business."

Good old days

Traditionally, Curaçao's ship chandlers prospered by supplying oil fleets, principally Dutch Shell's fleet, but also, independent tankers, and other oil company vessels. Their business activities, consequently, rode the crests and troughs of the oil industry.

Henderson began supplying Shell's

tankers in 1928. The business flourished during World War II, when Dutch Shell was supplying up to 40% of the Allied forces' fuel needs.

By far, the biggest boom for Curaçao's suppliers began in 1973, when the largest oil transshipment terminal in the Western Hemisphere was completed here. Shortly afterwards, the OPEC oil embargo brought additional, U.S.-bound tankers to Curaçao from Mexico.

Both Henderson and Maduro Shipchandlers hired more people to keep up with steadily increasing orders for food, deck and engine supplies bonded stores and spare parts.

"Of course, the Shell fleet was always a big and important part of the business, but there's always been the outside, independent tanker operator, from other oil companies," said Henry Riese. "We've always had a wide variety of ships and rigs coming in from other regions ... Danish, Norwegian, Nigerian, ... well, you name it ... everywhere in the world."

"From 1973 until 1981 were very good



years in terms of business turnover and the number of vessels calling at the port," he said. "Then the bottom fell out of the market. It's a very depressed market at the moment. We can remember that before 1982, the repair dock would be full, and now there are days when there aren't any ships at all."

Recession

The subsequent glut of oil on the world market was partly to blame. According to Francis Maduro, Curaçao's harbor has also been hurt by recent South American currency devaluations. The harbor traditionally hosted three or four oil tankers a week from Brazil and Mexico, he said, until the devaluation of the Mexican peso two years ago, and the subsequent devaluation of Brazil's currency. Such ships are not often seen here now. "They don't have the dollars to spend," said Maduro. "But other ships are coming from Europe and Trinidad. If you're losing one customer, you're always picking up another."

Though the bulk of the suppliers' business deals with oil tankers, an important factor in the harbor's traffic load is the Curaçao DryDock Company. The drydock recently lowered its prices to attract a more steady flow of shipowners. Francis Maduro is optimistic that its tactics will work.

Most insurance on trading vessels stipulates a biannual visit to the drydock, he said, and his customers that comply

with that rule come from Venezuela, Ecuador, Cuba and Argentina. Some of the tankers, said Maduro, are also time-catering for Dutch Shell.

The business of supplying ships remained fairly constant this year. Sailings last year dropped off 30-40%. Henderson's Henry Riese attributes part of the drop-off to the change in trading patterns world-wide. A decrease internationally in the number of tankers, the popularity of short hauls, and the decrease in the number of employees on the short hauls do not produce large demands from a small island.

Economizing

"What we've had to do, of course, is to cut back on some of our staff," he said. "We've had to cut back on our transportation, reduce our inventories to bring them all more in line with the business that we have." The same strategy was used by Maduro Shipchandlers when the company slashed its payroll and halved the number of trucks it uses. Such conditions presented no insurmountable obstacles for Francis Maduro, who personally checks every truckload that's headed for the docks. He attributes the success of his small company to greater accountability and personalized service.

To be sure, Henderson and Maduro Shipchandlers' services will be carefully watched in the near future among ships' crews that frequent Caribbean waters.

Both suppliers point to their repeat customers for their well-being, but the competition is nowhere as tough as in the service aspect.

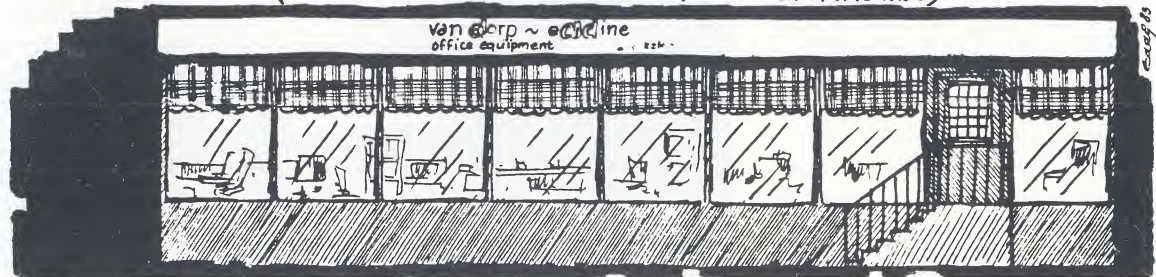
Inventories, aside from being kept in line economically, must also be kept current and diverse. "You have to supply the whole range," said Mr. Riese. "As much as is possible to supply, you have to supply. You try to become a sort of one-stop ship supplier -- a complete ship supplier."

Service

The trend among chandleries, especially those in Europe, said Riese, is to branch out into industrial supplies, but such an approach for a small island like Curaçao wouldn't justify the cost, he said. In remaining faithful to the singular business of ship supply, Maduro Shipchandlers and Henderson sometimes rely on daily flights from Miami, New York, and Holland to supply specialty items. Since most of their customers are oil tankers on 24-hour turnarounds, the ships' time in port hasn't been greatly affected by the trading slump. Both companies consequently, depend to a large extent on advance by telex. It was one such order that got Francis Maduro to greet an incoming ship on Christmas Day. "If you are in this business already, you have to keep working," he said. "You have to keep trying. If you give good service, then you always keep that customer." ■

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MILLING COMPANY'S IMAGE PROBLEM

by Nancy Siegenthaler

Early one Monday morning in January, bakers at the *Philomena Panaderia* looked at their freshly-baked bread with dismay. The loaves had not risen well, and the french bread looked terrible.

The bakers were quick to put the blame on the flour, and took immediate action. They picked up the telephone and called..... the miller? -- No, they called the leading morning newspaper to report that Continental Milling Company had sold them bad flour.

The paper eagerly snatched up the "tip". In the next day's issue were the bakers' allegations, -- "Harinja Ta Malu Atrobe" ("Flour is Bad Again"). The bakers, said the news article, could not make a proper loaf of bread with the flour, which was so bad that it was, in fact, green. The newspaper said it had tried to contact the mill with the allegations, but unfortunately, its afterhours attempt did not bring anyone to the telephone.

None of the claims turned out to be true, but the fact that a major Antillean newspaper printed them illustrates more than an example of yellow journalism. The story pointed to the public's lack of trust for the solitary provider of an important dietary staple.

Monopoly

The United States-based company, situated in Curaçao, has provided the Netherlands Antilles with cornmeal, animal feed and flour for 13 years. Nearly 75% of its market share is in sales of the cornmeal (funchi), and the company's millers, trained in the United States, work around the clock to bag 65,000 kilos of flour a day.

In light of its daily production alone, the mill's past, isolated slips in the quality-control department would appear to be relatively minor, compared to the life of most flour mills. But customers in the



Netherlands Antilles have not easily forgiven Continental's past mistakes -- largely because, for 12 years, the mill enjoyed a monopoly in the production of flour. As a result, during the few incidents when the mill actually did turn out bad flour, there was no other local producer to turn to.

The monopoly, in the form of import duties on foreign flour, was granted by the Central Government to protect the local employer from a deluge of inexpensive flours from government-subsidized mills in South America and Europe. The company's monopoly ended in September, 1982, but the Central Government subsequently protected it further by slapping a 30% diminishing duty on imported flours. Scheduled to be lowered to 25% shortly, the duty will eventually decrease to 15%.

Price agreement

Notwithstanding its protection, Con-

tinental Milling keeps an agreement with the central government on a price formula for its flour. Any increase in the price must be approved by the government in advance.

Controlled prices or not, local consumers nevertheless object to their continued reliance on a singular producer of something as important as bread.

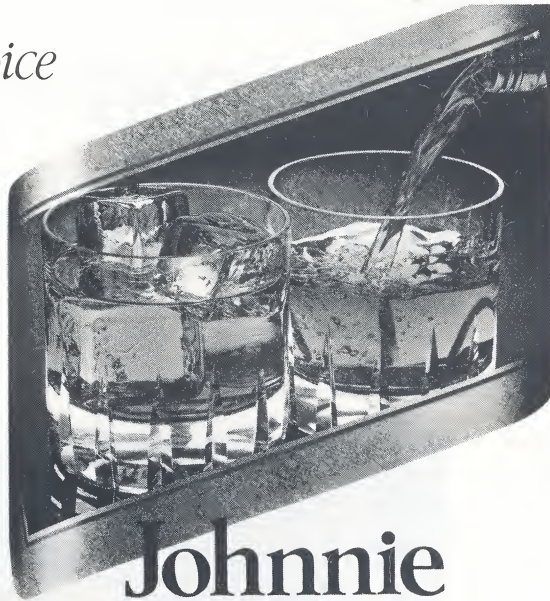
"Bread is vital in the local diet," said Continental Milling Company's young manager, Gary Drimmer. "So, we're a vital part of the local economy. Our mill does not receive any subsidies from the government, nor do the bakers. Yet the price of bread is very reasonable.

"The people," he said, "Are very free-trade oriented, and, I believe, correctly suspicious of monopolies.

"One of our desires is to improve our image, so that as the duty drops down, people will recognize the value of the flour -- that it's equal, if not better than the flour that's imported.

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relinquish our monopoly," he said. "I mean, why should any company give away a monopoly?"

Incidents

There were moments when Continental's customers wished it had long ago. Suspicions still circulate concerning the mill's storage capacity of flour, and whether its supplies are enough to withstand an emergency.

One such incident that occurred several years ago continues to haunt the company. Most of Continental's grain supplies come from the United States, and a tropical storm in the Gulf of Mexico tied up a shipment of grain in a Louisiana harbor. That caused the mill to exhaust its own supply.

When the only mill in town runs out of grain, the islands are out as well, and there was a resultant run on bread, and bread-making supplies. Some grocers, said Drimmer, actually had to ration flour until the panic was over.

But supply problems caused by weather are inherent to island life, said Drimmer. The everyday customer of Continental Milling Company's products, however, only remembers that the mill once ran out of flour. On another occasion, a shipping line that was to deliver animal feed to Aruba and Bonaire, abruptly cancelled its sailing to those islands after a merger with another shipping company. That left Continental Milling's customers stranded. People, said Drimmer, can afford to go without bread for a while, but animals, he said, absolutely must eat. The company was consequently forced to airlift the necessary feed to its customers.

Quality

While Drimmer has not had any direct experience in the Curaçao mill's past quality-control problems (Having worked in the Antilles for just one year), he does not side-step the issue.

"If quality problems arise while I'm here," he said, "I'll know about them right away." In addition past cleavages in the baker-miller relationship were not previously bridged by what Drimmer calls "poor management decisions". "A lot of the criticism was justified," he said. "The mill just didn't handle the problems well."

When bakers complained about the flour, said Drimmer, the company's policy was to hire outside consultants to in-

spect their bakeries, and to invariably declare their findings publicly that the troubles laid not with the mill, but with the bakeries. Such tactics, said Drimmer, antagonized the islands' bakers for years.

"You don't just come out and criticize the bakers," he said. "You work with them, you try to help them. Occasionally," he said, "the bakers are working with some very antiquated machinery."

That was not the case at the Philomena Panaderia, however. The same day that the "bad" flour article appeared in the news, the bakery's manager went to the mill to file a complaint, bringing the questionable flour along. Bread was baked in the mill's test ovens with it, and according to Drimmer, the bread turned out "perfect". The bag of flour the bakery had was produced in a lot of 450 other bags, and none of the other users had any trouble with it said Drimmer.

"Today, we gave that same flour to someone else," he said, "I'd like to take a picture of what [the baker] made with it." Drimmer visited the Philomena Panaderia the same day to witness its mixing and baking methods in the art of bread-making. The bakery owner, in the meantime, confided to Drimmer that much of the news story was concocted, including the color, and promised to write a follow-up letter to the newspaper, to clear the mill's reputation.

Yellow press

But Drimmer did not wait. The same

day, he pounded out a press release for every paper in the islands, extolling the virtues of Continental's flour, adding that, even though the company could have asked for a price increase in February, it did not. The next day, his press release ran in part, in one morning paper, with the headlines, "Prijs di Pan Por Subi Na Maart" ("Price of Bread Could Rise in March"). There was no mention in his release, said Drimmer, of any price increase in the next few months. "If you know how sensitive a basic commodity like bread is within the environment of these islands," he said, "Then, somebody coming out with a headline like that ... is pretty irresponsible." Drimmer called the paper to tell them that the price of bread would not in fact rise. The paper, accordingly, ran another story the next day, with the headline, "Pan Lo No Subi" ("Bread Will Not Rise") Does the recent treatment of the company by the press damage its business in its unprotected products?

"It does not hurt our sales one bit," said Drimmer. "It damages the company on a long-term image basis -- something that we've devoted a great deal of time and effort to, since I've been here." In the past year, he said, the mill has had no complaints about its flour -- until now. And the latest accusations seem to have been entirely groundless. At least, they didn't stop the Philomena Panaderia from selling the loaves made from the "Bad" flour. ■



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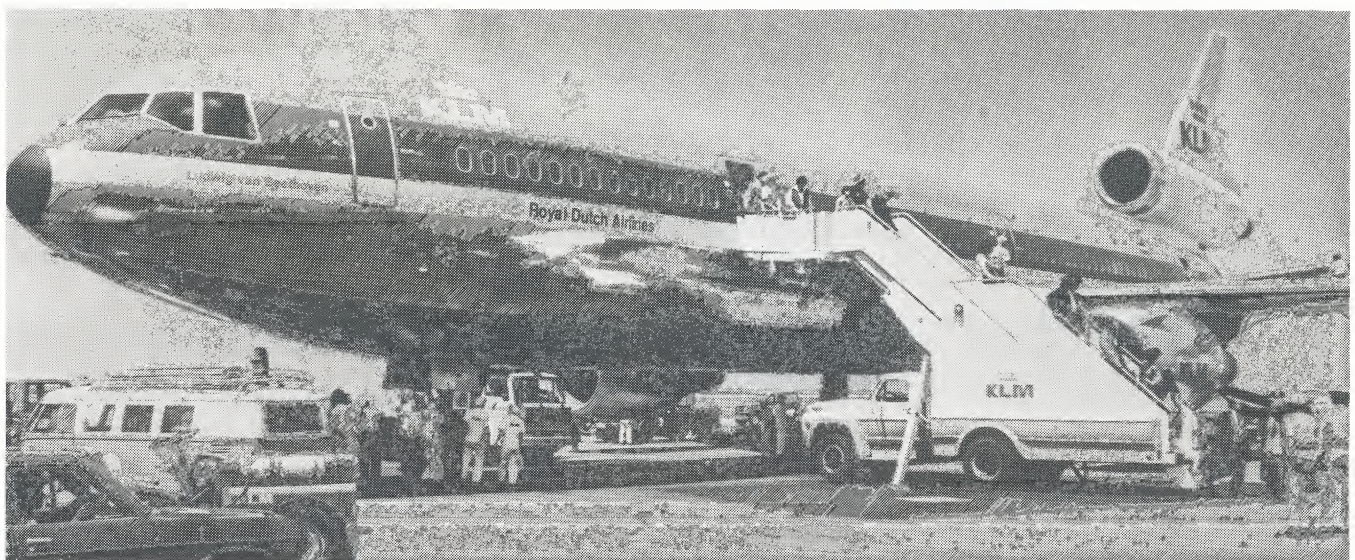
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BREAKTHROUGH IN PACKAGE TARIFFS MAY RESULT IN ADJUSTMENT OF KLM FARES

by Henk Timmer



KLM's recent decision to co-operate with the Aruban hotels lowering the price of the flight part of a new and attractive package to promote tourism between Europe and Aruba, (see Aruba) is expected to result in a welcome adjustment of the regular rates between the Antilles and Holland as well.

The Dutch airline's pricing policy with regard to this route has been under fierce criticism for many years. The regular fares are considered unreasonably high. KLM on the one hand introduced low rates to many US and Canadian destinations, but on the other hand not only kept those of the Neth. Antilles route at the old high levels but recently even increased them.

Also the restrictions for travel from Holland to Netherlands Antilles compare unfavourably with the restrictions on popular tariffs to the US and Canada.

Comparing prices

An example can illustrate this: KLM offers a roundtrip Amsterdam-Toronto for Df. 1215.-- this summer. The minimum stay is 6 days (a weekend must be included) The maximum stay is 6 months. Outward and return must be booked and paid 21 days in advance. Cancellation fee is Df. 100.-- and a change of date will cost

Df. 200.--. The flying time is 8 hours. Compare this to the popular tariff for a roundtrip from Amsterdam to Aruba, flying time 9 hours. The price is now Df. 1923.-- or 58% higher than the one hour shorter trip to Toronto. The restrictions are much stricter: minimum stay 14 days, maximum only one month (to Canada this is 6 months and to Florida 12 months) and the same 21 days in advance booking and payment. Cancellation is possible at a fee, but change of date is not possible, not even if you pay. In the case of Canada you can change the date by paying Df. 200.--.

Few people can understand why our own KLM must have stricter rules for their special popular tariffs on trips between parts of the Kingdom, while offering much better rules and lower prices for destinations in other parts of the world.

In a recent add in the Dutch weekly 'Vrij Nederland' KLM offers a return trip to California for only DF 1,450.-- and to Hawaii (via Los Angeles) for Df. 2,150.--!

Studying the issue

The Governments of The Netherlands and the Netherlands Antilles have recently agreed to form a commission which will study the KLM tariffs on the Amsterdam - Netherlands Antilles route. After the breakthrough in the package tour

tariffs, it is expected that adjustments in the tariffs for the ethnic travel between the islands and The Netherlands will now appear to be possible also. It would in any case be welcomed if the restrictions could be lifted or adjusted to those in force for travel to other countries. With 10% of the population of the Netherlands Antilles living in Holland, families will get more flexibility in visiting each other, be it here or in Holland. At the moment, everybody wishing to stay longer than one month is traveling via the US, because that way the cost is lower than paying the 53% higher cost of a ticket with a 60-day limit. KLM is losing that part of the ethnic travel at the moment, but can win it back by lifting the stiff restrictions on the popular Df. 1923.-- tariff.

This development would open new opportunities of a flexible system of travel comparable to the special tariff recently introduced by KLM for elderly people travelling from Holland to the Netherlands Antilles. With this so-called 65+ tariff and the newly introduced package for 7 days Aruba, including hotel at Df. 1984.--, KLM has indicated to be willing to remain The Antilles' partner in tourism. The decision to adjust the regular rates may therefore be expected to be the logical result. ■

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PEOPLE

Branching out in the Caribbean the First National Bank of Boston recently established itself in Curaçao. The fourth US bank in terms of international presence its regional headquarters are situated in San Juan, Puerto Rico. "We believe very strongly in centralizing our headquarters right in the field" said Mr. **William B. Lynch**, a vice president of the bank and in charge of the Caribbean activities. Mr. Lynch, who has been with the Boston Bank for 18 years, told AR his bank has come to Curaçao because of the opportunities perceived. On his ninth visit to the island he confided "I like it better every time!"

Constructing new headquarters in San Juan (360,000 sq.ft.) the Boston Bank, which ranks amongst the top twenty banks in the USA (assets US\$ 19,5 billion), intends to become a very visible presence in the region. Already established in Puerto Rico, the Dominican Republic, Haiti and Curaçao the bank is considering opening offices in the French islands, the Virgin Islands and possibly Barbados. One of the reasons which prompted the bank's policy with regard to the Caribbean, said Mr. Lynch, is the Caribbean Basin Initiative of the Reagan administration.

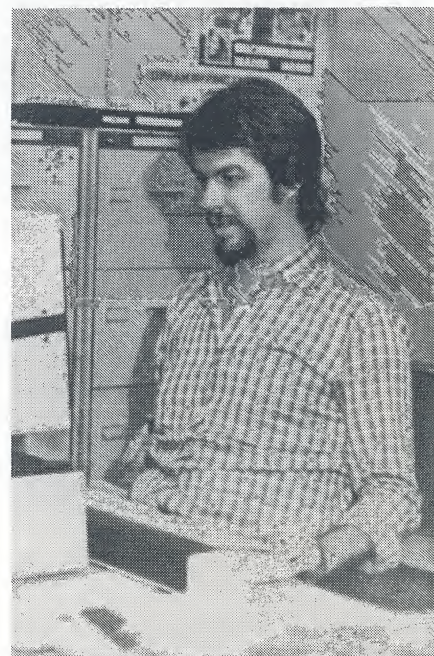


Celebrating its 100th anniversary on January 4th was the AMIGOE newspaper. Having an outstanding record for fair and in-depth reporting the paper has been in the news itself regularly the past two years. In 1981 the Roman Catholic Church, sole shareholder of the Amigoe, decided to sell. Negotiations with several interested groups caused widespread anxiety that the paper might lose its independent character. The Bishop of Wil-

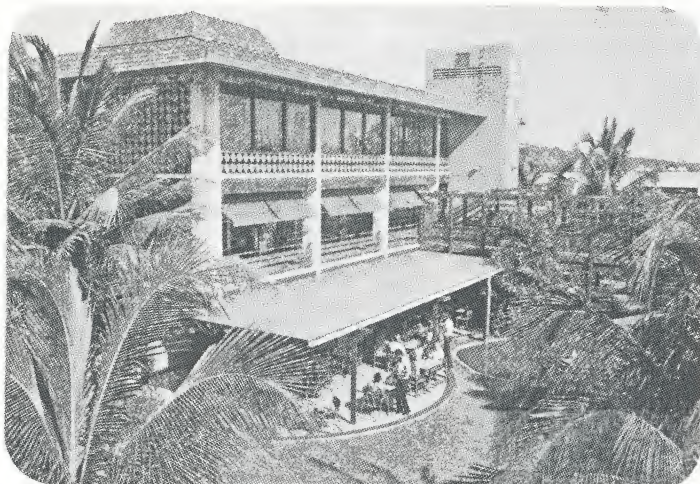


Fostering awareness of Curaçao's architectural heritage in order that it may be saved for future generations, said **Jacky Voges** (second from right), was the express purpose of a symposium and exhibition held in February. Mr. Voges, who is chairman of the Foundation for the Preservation of Historical Monuments, said at the symposium to be heartened by the growing discernment, in particular in government circles, that a large scale restoration effort is urgently needed. **Governor R. Römer** (third from left) at the official opening of the exhibition underlined the importance of the occasion not only by his presence but even more so by his words, pointing out that Curaçao's architecture is indeed unique in the Caribbean for as much as it is not a replica of European (Dutch) styles but has a distinct own character. The exhibition was flown over from Holland having been compiled and organized by Antillean students at Delft's Higher Technical Institute (see AR, Vol. 3 no. 2). One of the enterprising students **Michael Newton** is seen at right.

lemstad agreed to a management contract with a group of eight citizens granting them the right of purchase after 18 months. On the fourth of January Bishop Ellis officially handed over the paper to what has generally become known as 'the group'. Not only had the paper been steered into financially sound waters, its independent and objective character had been well preserved. In July 1983 the Amigoe again made headlines being the first paper in the Antilles to start producing by means of Video Display Terminals. At the centennial celebration a proud Editor in chief **Frans Heiligers** announced that the Amigoe's management and editorial staff had reached whole-hearted agreement on an 'Editorial Charter' guaranteeing the editorial independence in accordance with the paper's articles of association. Again the Amigoe could claim to be the first in the country.



Think of spending your holidays this year in Curaçao?



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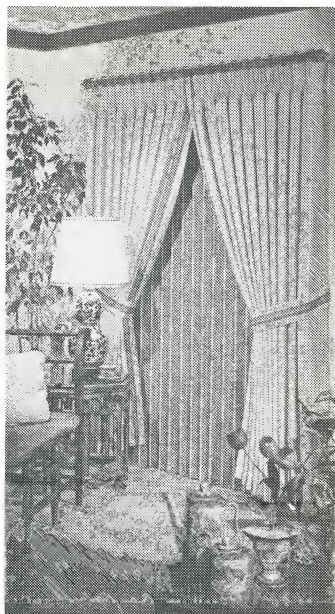
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Elisabeth D'Hondt

EXCITED ABOUT NEW POLICY IN LATIN AMERICA

Interview

"After sixteen years in development work I do not easily become enthusiastic anymore. But this, yes it might work and serve as an example of how to tackle things in the region".

She is referring to a new method of development funding in Central America. She? Elisabeth D'Hondt working with the European Community's delegation to Latin America based in Caracas, Venezuela. Married to Edmond D'Hondt, EEC's representative in the Neth. Antilles, her home, however, is in Curaçao. At least for two weeks out of every month. We meet in between her frequent travels to the nearby continent early one morning over coffee. There's a slight guttural accent to her English. "O yes, I am German all right". But surprise, Elisabeth's Spanish is just that: Spanish. She explains: "My grandparents migrated to Colombia and my mother, who went back to Germany, sent me to stay with them immediately after the war".

As a young woman she too went back to study law and economics at the universities of Frankfurt and Munich. Elisabeth first thought of a career in the diplomatic service — "but I did not like it" — and soon became enwrapped in development work. She became a Latin American specialist with the German Government and has lately been on assignment with the European Community.

Field

"Our delegation in Caracas supervises the Community's development projects in all of Latin America. That is the official version. In fact we are involved from the very first planning right through to the last evaluation of projects". She also comments on 'all of Latin America': "in practice that applies to Bolivia, Peru and Ecuador in South America. Colombia may soon be added to that list. In Central America (and the Caribbean) we have

dealings with Honduras, Nicaragua, Costa Rica, Santo Domingo and Haiti". It should be observed that the Caracas based delegation occupies itself only with non-associated countries in the Western Hemisphere. The EEC's assistance to these countries is given on request and is of a unilateral character. The funds available come from a special budget, which is determined on a yearly basis. In general the development assistance is given to the poorest countries and then again to the



poorest in the rural areas of those recipient countries.

Efficiency

Progress, however, is often very slow. Mrs. D'Hondt, just back from Peru, shares some disappointing experiences. Projects which should have started in '79 and '80 and ought to be completed by now, have hardly begun. "The problem" she explains "is that the beneficiary country or the institutions within that country often are not able to contribute their own share as agreed upon. Moreov-

er, there often seems to be a lack of motivation". There are more hopeful stories to tell as well. In this year the delegation will concentrate in particular on Bolivia to undergird the action for democratic government. "But", adds Mrs D'Hondt, "the extreme poverty in the rural areas in itself justifies giving assistance like in the case of Haiti". On a recent visit to Bolivia an EEC team found that in some of the poorest regions local cooperation for development was coming off the ground. Total packages of mini-projects were presented.

The Caracas delegation drew up a rough plan for assistance and sent it off to Brussels in the meantime working out the details in order to be able to defend the plan when decisions about funding are made. Mrs. D'Hondt is obviously proud of the efficient working-procedures between Brussels and her delegation short-cutting the customary red-tape and thus saving much time. It should be noted that

if too much time is lost between a request for assistance and the approval thereof, the local motivation may have evaporated in the meantime.

Initiative

The story with regard to Central America is slightly different. Parallel to the Lomé II Convention the European community worked out policies for development cooperation with that troubled region. What surfaced was a kind of European Caribbean Basin Initiative for the non-associated countries including the

Dominican Republic and Haiti. It should be observed that the European Community constitutes Central America's second market for exports (24%) after the USA (35%).

In 1981 Central America exported for a total of US\$ 1,400 million to EEC-countries supplying 39% of the latter's demand for bananas and 17% of its coffee consumption.

The above mentioned development policies include financial and technical aid in cases of emergency, food aid, preferential trade treatment in general and trade promotion. In 1982 US\$ 80 million was earmarked by the EC for these purposes. On November 22 of that year the Council of Ministers of the European Community decided that a special effort to assist the region was required and allotted an extra US\$ 30 million. The first objective of this stepped up programme of assistance was to be the development of agriculture and rural areas in the frame of agrarian reforms. Special of this Cen-

tral America assistance programme is the method of financing. Explains Mrs. D'Hondt: "Normally the money allotted for one particular year is made available in that year. What has been deemed necessary for the following years stays in Brussels. But in this case it was decided to transfer the complete amount so as to help ease the balance of payment situation. This allows the recipient country to buy the required materials in Europe without running into even greater deficits they are already facing. On its part the recipient country must agree to create a counter fund to cover the running costs of the projects. To guarantee the purchasing power of such a counter fund against inflation a solution has been found in expressing it in terms of constructions volume. At present this approach seems to work very well in the case of Nicaragua. But" says Mrs D'Hondt "if it only works there and is not adopted by other countries in the region, the one or the other E.C.-country may for political reasons not wish to con-

tinue it".

She feels this method might be a real break-through in development work and feels excited about its possibilities.

Antilles

Coffee has in the meantime been served twice and we raise a last and quite obvious question: do the responsibilities of her husband and those of herself ever touch upon each other? "Well, yes, we are at present involved in promoting more regional co-operation for which special funds have been made available. For example we are researching the possibilities for the establishment of a regular connection by sea between the Antilles and the Dominican Republic". Much more she is not willing to impart at this stage, but the dynamic personalities of both Mr. and Mrs. D'Hondt give rise to the expectation that the country will profit in more ways than one from their presence in the Antilles. ■

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Only ten years ago a widely read paper published by the Dutch Development Agency CEBEMO stated that the Curacao people were rapidly losing faith in their own future. In spite of the harsh effects of the recession or maybe because of it that mood has drastically changed. The initiative of Intracur to organize an industrial and commercial exhibition in June coming, is just one example of that change of attitude. The project is worthwhile mentioning for at least two other reasons. Reviewing the organizing committee's policies Expo '84 might well have a highly motivating effect in particular among the island's youth. And last but not least it might indeed stimulate much needed foreign investment, local trade and industry.

Exhibition

Expo '84 is a multi-purpose undertaking. The organizing Foundation Intracur has invited both local and foreign industries to exhibit their products at the fair, which will be held from June 1-10. It also plans to present visitors from abroad with the fullest possible information about the island's well developed infra-structure, investment possibilities, advantageous tax facilities and free-zone opportunities. The Curacao Industrial Department has made two halls available with a total exhibition area of 5,500 sq.m. One of the highlights of the fair will be a presentation by Dutch firms on the use of alternative energy, which will occupy an area of 500 sq.metres.

Motivation

The organizers moreover plan to use the occasion for motivating the island's population by waging an intensive campaign including lectures, panels, information-meetings, audio-visual presentations and special activities for school



children. Stimulating a collective awareness of the importance of industry and trade for the development of the island is one of their stated objectives. The federal and Curacao island governments are co-operating in the venture as well as the

Chamber of Commerce, the Curacao Trade and Industry Association and banking associations. Judging from the first reactions both from within the country and abroad Expo '84 is expected to become one of the major events of the year.



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Did Suriname Switch?

Dialectics á la Dante

By Edward Dew

News of the US invasion of Grenada was hardly out when it was reported that up to 100 Cubans — including the ambassador — had been expelled from Suriname. It looked as if President Reagan had killed two revolutionary birds with one stone. But was there really a link between the two cases? Not if we can believe official Surinamese accounts alleging that the ouster decision had been reached two days before the invasion. Nevertheless, the earlier execution of Maurice Bishop must have shaken Desi Bouterse, Suriname's military strongman, who had found in Bishop not only a brilliant role model but an intimate friend as well. Both leaders had been edging politically to their right, risking the wrath of their more doctrinaire Marxist allies, both domestic and foreign. A successful coup coming about in previously tranquil Grenada rather than in volatile Suriname could very likely have triggered the decision on the Cubans, as many reported.

But it is also possible that the move was a more calculated and opportunistic gesture to woo, or at least disarm, Brazil, the United States and The Netherlands. Suriname's rightward move was not coordinated with Grenada's. Both developed independently as responses to growing economic difficulties — difficulties that in Suriname's case were especially severe, owing to the loss of a billion-dollar Dutch foreign-aid program following Bouterse's execution of fifteen prominent critics of his regime in December 1982.

Throughout the first half of 1983, Suriname had careened internationally and ideologically between the Cubans, Brazilians, and the Bolivia-Colombia-Amsterdam drug underworld. If this last group was the only power with anything really lucrative to offer the desperate dic-



tator, florid allegations in the Dutch press may have scuttled any deal. As for the others, the Brazilians seemed more than able to offset any Cuban offers with deals (and threats) of their own. Yet neither Cuba nor Brazil was offering more than modest training programs, technical assistance, military credits and barter deals. With foreign reserves dropping 50 percent or more in the first six months of 1983, the end was clearly in sight for the regime's most ambitious development projects.

Because the killings had driven off all but his most radical supporters, Bouterse had great difficulty fashioning a civilian cabinet to govern the country. Within three months of its presentation, in March 1983, Bouterse had purged it of one of its most pro-Cuban members, Sgt. Maj. Badressein Sital, Minister of Culture and People's Mobilization. Subsequently arrested and later allowed to go into exile

to Cuba, Sital had opposed any dealings with Brazil or rapprochement with the Dutch. A cluster of radicals around Sital were similarly removed from power.

The approach of the blacks' principal secular holiday on 1 July, "Keti Koti", or Abolition Day, prompted Bouterse to launch a new political initiative in an effort to preempt any countermoves, such as comparing the old and new slaveries. Holding a mass rally on 30 June, which he labeled the "day of national unity", Bouterse attacked both the Dutch and the United States — the latter for having contemplated an invasion of Suriname by the CIA in January, a fact revealed in the US press only a few weeks before. Bouterse went on to announce plans for a new umbrella political movement, uniting all the revolution's supporters. The new organization would be called the 25th of February Unity Movement, after the 1980 date of the original coup. He announced other institutional changes, including the planned tripling of the army to 10,000 men, doubling the police to 10,000, and forming Cuban-style youth brigades, with up to 50,000 members.

A crowd estimated at close to 10,000 saw demonstrators march through Paramaribo carrying enormous placards with the photographs of Bouterse, Che Guevara and Anton de Kom, a communist school teacher and political organizer of the 1930s who died in a Nazi concentration camp. Linking himself with these near-mythical figures, Bouterse seemed intent upon building a personality cult that made lavish use of the radicals' language and techniques, while holding them at arm's length. The *PALU* (Progressive Union of Workers and Farmers) and the *RVP* (Revolutionary People's Party) had

moved in and out of Bouterse's inner circle over the preceding four years, but neither had a large following nor the likelihood of ever acquiring one. Moreover, their long-standing rivalry did little to advance the cause of revolutionary unity. **PALU** was fearful of too close a tie with Cuba, opting instead for the Brazilian connection. The **RVP**, for its part, was intimately tied to the Cuban line, and its leaders were known to be in constant touch with Oscar Osvaldo Cárdenas, the Cuban ambassador. Ironically, the **RVP** was also reported to favor rapprochement with the Netherlands (Cuban pragmatism at work?), while the **PALU** was virulently anti-Dutch. Perhaps it was inevitable that Bouterse should have to rise above this melee, if only to keep his options open. Dutch papers, for example, reported that even as Suriname was expelling Cárdenas, Bouterse had dispatched Ambassador Henk Herrenberg from The Hague to Havana to explain the action and to speed up preparations for the as-yet-un-opened Surinamese Embassy in Havana. Was a switch really on?

To The Right

On the day Bouterse was holding forth in Paramaribo, I had the opportunity to interview former president Henk Chin A Sen and former speaker of parliament Emile Wijntuin at a meeting in Caracas. They told me that Bouterse had invited a number of his enemies among the demo-

cratic parties to meet with him that morning in the name of political reconciliation. Most, like Wijntuin and Chin A Sen, rejected the overture. Yet a number did respond, especially from the Suriname National Party (**NPS**), the party Bouterse drove from power in 1980.

Virtually ignoring the cabinet and leftist parties, Bouterse held a number of meetings with these **NPS**ers, and in late September sent a two-man delegation to The Hague to explore grounds for talks with the motherland. Shortly thereafter, Prime Minister Erroll Alibux (**PALU**) visited Washington for talks at the State Department and, according to *Latin American Weekly Report*, for a presidential reception as well. On 11 October, two weeks before the Grenadian invasion, Bouterse joined Alibux in the United Nations, giving a speech to the General Assembly that curiously omitted any reference to Cuba or Grenada but called for the removal of all foreign troops from Afghanistan. Ten days later, a mission of highly respected **NPS** leaders was on its way to The Hague to try to negotiate re-institution of Dutch aid. As these most recent events show, Bouterse's political resourcefulness seemed endless. The push to the right, whatever its significance, was at least four months in the making.

The irony in all this is that right, left, or straight ahead, Bouterse remains dead-end bound. If Cuban, Brazilian and other aid only amounted to marginal amounts of

manpower and material, the financial aid of the United States, canceled in the wake of the December killings, had itself amounted to only about one percent of the annual Dutch disbursements. Moreover, Washington's pleasure at the apparent success of Brazilian overtures is unlikely to signify the resumption of aid. Getting cruise missiles into the Netherlands takes priority, and mounting public protests in The Hague mean that anything could happen in the two years before deployment. A Surinamese request for \$100 million in IMF assistance will be decided sometime early in 1984; and with the new leverage the Dutch possess over the votes of their NATO allies, they may be able to control that decision too.

In any event, the path to The Hague taken by Bouterse's **NPS** envoys seems the only, even marginally, hopeful one. In early November, a spokesman for the Dutch minister for development assistance said that nothing had changed in their conditions for the unfreezing of economic aid: there must be a return to democracy, including the restoration of an independent judiciary, a free press and freedom of speech. Moreover, there must be "an acceptable explanation" for the December killings. Although the **NPS** envoys claimed to be bringing concessions on every point, their talks with the Dutch apparently foundered. Bouterse had not put his head on the **NPS** trading block after all; the Dutch would settle for nothing less.

So, what has changed? Most of the Cubans — amounting to a hundred or so technicians, teachers, medical personnel, half the embassy staff and some dependents are gone. Over 100 Surinamese youth studying in Cuba were summoned home, along with Suriname's distinguished poet, Dobru (Robin Ravales), who was receiving medical care there. (Within two weeks of his return, Dobru was dead — possibly another name to be inscribed on Bouterse's ruthless account). Don Bohning, of *The Miami Herald*, speculates that the Cubans had seriously planned to install Sital — once considered the ideologue of the revolution — in Bouterse's place. In any case, Suriname's relations with Cuba, Bouterse told a television audience 25 October, had become "increasingly unmanageable" in recent months, "a result both of the turbulent development of these relations... and more

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especially of the somewhat individual style of the Cuban ambassador..."

Stanvaste

A month later, on the eighth anniversary of Suriname's independence, Bouterse again summoned an assemblage of roughly 10,000 to the main square to announce formation of the "Stanvaste Unity Movement". (Apparently, the date of the military's coup was now felt to hold insufficient emotive power. Thus, a local flower, the *stanvaste*, took its place). "Stanvaste is not a political party", he told a press conference afterwards, "so if *PALU* and *RVP* recognize a sufficient unity of purpose with the movement, they will be permitted to join it. Anyone may apply".

Those formally running the movement were Bouterse, Capt. Etienne Boereveen, head of People's Mobilization, and Paul Bhagwandas, the latter identified as principal executioner in the 8 December killings. Nevertheless, Peter Schumacher of Rotterdam's *NRC-Handelsblad* identifies ex-foreign minister Harvey Naarendorp, now Bouterse's closest advisor, as the brains behind the whole operation. Naarendorp, identified with the *RVP* faction, was reportedly engaged in his own running rivalry with Prime Minister Ali-bux, and rumors about this latest struggle

circulated widely in the news-starved country. This, too, enhanced Bouterse's ultimate control.

What were the principles of *Stanvaste*? "Anti-imperialism and anticolonialism". "Revolution". "Real democracy". Such terms, remaining undefined, peppered the *conceptbasisprogramma* presented by Bouterse. Dutch aid, he said, had been too sizeable, crippling the country's self-reliance. American aid, if it was to resume, must be given under conditions of mutual respect. More threatening was his curious public reassurance that a repeat of the events of 8 and 9 December would never occur as long as the revolutionary path were not blocked by force.

The Christian Council of Churches assailed the *conceptbasisprogramma* as showing "insufficient recognition of the people's worth and intelligence, thus lacking the means to inspire them". In particular, it ran the risk of abandoning much of the old constitutional and social structures of the pre-1980 period for no good reason.

Meanwhile, the government was demanding that time be set aside in all places of employment for propaganda meetings between workers and government spokesmen and "motivational meetings" of the workers themselves. With informers allegedly everywhere, life became increasingly grey and fearful. Illustrative was the *NRC-Handelsblad* story of an insurance executive who made the mistake of firing an employee married to a member of the People's Militia. The executive, formerly a minister in an earlier revolutionary government found himself the target of anonymous personal threats. Later his office was broken into by mili-

tiamen apparently searching for incriminating evidence of his political disloyalty.

Political criteria replaced more objective standards in all fields. Bouterse loyalists were placed on the board of directors of the Central Bank regardless of their economic qualifications. Real estate was purchased, and improvements made, at state expense — the profiteering military having evidently learned some lessons from Somoza. Foreign travel, too, was extended in reward for loyalty. Ironically, however, the landing rights for KLM were withdrawn without first securing an alternative carrier to make the long Amsterdam-Paramaribo route. After two months of searching, none had been found at all — heightening the sense of isolation of the 350,000 Surinamers from the 200,000 or more of their kin in The Netherlands and elsewhere.

On the eve of the independence anniversary, fires broke out in the government radio station, an office building, and a warehouse. A week later a number of people were arrested, accused of sowing discontent to prepare the way for an invasion of mercenaries from The Netherlands. Suriname enters 1984 much as it entered 1983, moving inexorably through yet another round in the familiar dialectic of repression/relaxation/unrest/repression. It's a downward dialectic, however, one that is probably more familiar to Dante than to Marx. But it leaves Suriname as unpredictable as ever. Sorry, Washington! The more Bouterse switches, the more he stays the same. ■



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in 1967, in which the Antillean Government, the Dutch Government and the Kingdom University of Groningen cooperate. In 1975 he was appointed extraordinary professor in Pediatrics at the above mentioned University. To this Liber Amicorum have contributed among others: A. E. C. Saleh: Klinisch Hoger Onderwijs op Curaçao. Verleden, heden en toekomst; A. Meyer: Kindergeneeskunde en transculturele psychiatrie; F. D. Muskiet: Impaired splenic function in patients with sickle cell disease; T. A. J. Kroon: Herinneringen aan de samenwerking met Carlos Winkel; J. L. Yntema: Clinical trends in acute diarrhoea in children on Curaçao. Published by St. Elisabeth Hospital, Curaçao.

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ANTILLEN REVIEW

Published by:
A.R. Publishing Company N.V.
Cas Coraweg 85
Telephone: 77454-674524
Curaçao
Netherlands Antilles

Editor:
Roger F. Snow

Advertizing:
Mrs. N. Franco
V. Goghstr. 3
Curaçao
Telephone: 79930

Subscription Rates:
Neth. Antilles NAF. 33,—
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Production:
Typography by Antillean Typesetting
Incorporated N.V.
Printing by De Curaçaosche Courant
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